

Exhibit B



**Puerto Rico
Electric Power
Authority**

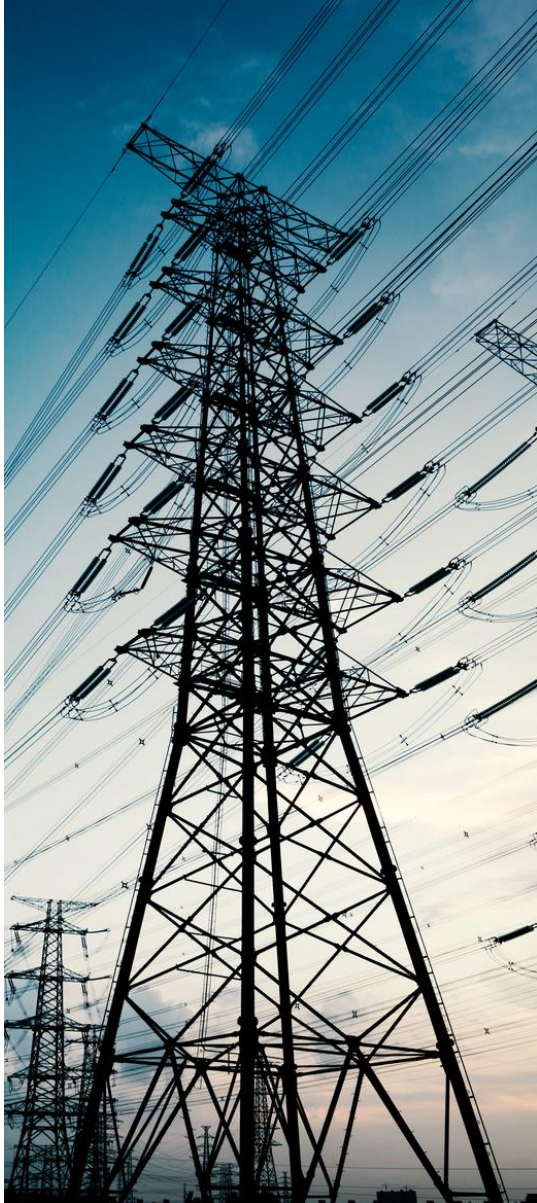
2019 Fiscal Plan for the Puerto Rico Electric Power Authority

As certified by the Financial Oversight and
Management Board for Puerto Rico on June 27, 2019

- The Financial Oversight and Management Board for Puerto Rico (the “FOMB,” or “Oversight Board”) has formulated this June 2019 Fiscal Plan based on, among other things, information obtained from the Puerto Rico Electric Power Authority (“PREPA”).
- This document does not constitute an audit conducted in accordance with generally accepted auditing standards, an examination of internal controls or other attestation or review services in accordance with standards established by the American Institute of Certified Public Accountants or any other organization. Accordingly, the Oversight Board cannot express an opinion or any other form of assurance on the financial statements or any financial or other information or the internal controls of the Government and the information contained herein.
- This June 2019 Fiscal Plan is directed to the Governor and Legislature of Puerto Rico based on underlying data obtained from PREPA. No representations or warranties, express or implied, are made by the Oversight Board with respect to such information.
- This June 2019 Fiscal Plan is not a Title III plan of adjustment. It does not specify classes of claims and treatments. It neither discharges debts nor extinguishes liens.
- This June 2019 Fiscal Plan is based on what the Oversight Board believes is the best information currently available to it. To the extent the Oversight Board becomes aware of additional information after it certifies this June 2019 Fiscal Plan that the Oversight Board determines warrants a revision of this Fiscal Plan, the Oversight Board will so revise it.
- The Fiscal Plan forms the basis of the corresponding Certified Budget, including full implementation of all revenue and expenditure measures described for that fiscal year, and any investments described in the Fiscal Plan. The Certified Budget must include the same level of specificity as outlined by the FOMB in the budgetary process by budget line-item on sources and uses of funds by fiscal year. The Certified Budget must also provide additional detail on the types of funds used to cover expense categories (e.g., general fund, federal funds, special revenues, own revenues). Finally, the Certified Budget must include additional detail as necessary to track impact of fiscal measure implementation (e.g., pensions, health benefits and Christmas bonus separated from Salary and related benefits, professional services fees, etc.)
- For the avoidance of doubt, the Oversight Board does not consider and has not considered anything in the June 2019 Fiscal Plan as a “recommendation” pursuant to Section 205(a). Nevertheless, to the extent that anything in the June 2019 Fiscal Plan is ever deemed a “recommendation” pursuant to Section 205(a), the Oversight Board hereby adopts it as appropriate in the June 2019 Fiscal Plan pursuant to Section 201(b)(1)(K)
- Any statements and assumptions contained in this document, whether forward-looking or historical, are not guarantees of future performance and involve certain risks, uncertainties, estimates and other assumptions made in this document. The economic and financial condition of the Government and its instrumentalities is affected by various legal, financial, social, economic, environmental, governmental and political factors. These factors can be very complex, may vary from one fiscal year to the next and are frequently the result of actions taken or not taken, not only by the Government, the Oversight Board, and other third-party entities such as the government of the United States. Examples of these factors include, but are not limited to:
 - Any future actions taken or not taken by the United States government related to Medicaid or the Affordable Care Act;
 - The amount and timing of receipt of any distributions from the Federal Emergency Management Agency and private insurance companies to repair damage caused by Hurricanes María and Irma;
 - The amount and timing of receipt of any amounts allocated to Puerto Rico and provided under the Community Disaster Loans Program;
 - The amount and timing of receipt of any additional amounts appropriated by the United States government to address the funding gap described herein;
 - The timeline for completion of the work being done by PREPA to repair its electric system and infrastructure and the impact of any future developments or issues related to PREPA’s electric system and infrastructure on Puerto Rico’s economic growth;
 - The impact of the measures described herein on outmigration; and
 - The impact of the resolution of any pending litigation in the Title III cases
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- I. Executive Summary
- II. Transformation
- III. Historical Context and Current Challenges
- IV. Governance and Implementation
- V. Regulatory Structure and Key Legislation
- VI. Baseline Financial Projections and Assumptions
- VII. Revenue
- VIII. Expense
 - i. Generation (“GenCo”)
 - ii. Non-Generation (“GridCo”)
 - iii. Resiliency & Resource Planning
 - iv. Operational Initiatives & Performance Improvements
- IX. Debt Service
- X. Liquidity Management and Federal Funding
- XI. Post-Certification Reporting

I. Executive Summary



The Puerto Rico Electric Power Authority (PREPA) has historically faced significant financial, operational, and reliability challenges. Macroeconomic trends, including declining population and a stagnant economy, coupled with declining customer demand, have negatively impacted PREPA's revenues over the past 10 years. Hurricanes Irma and Maria caused significant damage to an antiquated and fragile power system that was already struggling to provide Puerto Rico with reliable and affordable power, as evidenced by reliability and safety metrics that stand well below mainland U.S. industry standards. Volatility in fossil fuel prices in past years further adversely impacted affordability on the Island given the system's dependence on fossil fuels. PREPA's fiscal situation is exacerbated by unsustainable debt obligations, which, coupled with its operational challenges, resulted in PREPA filing for protection via voluntary petition under Title III of the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) to better position the utility to implement a comprehensive transformation and debt restructuring.

The August 2018 Fiscal Plan for PREPA put in place the initial framework for a transformation of PREPA and the power sector in Puerto Rico. During FY2019 – its first year of transformation – PREPA has achieved measurable progress in several key areas and is working to implement initiatives and reforms in the near future. This June 2019 Fiscal Plan details the actions taken and to be implemented to become a customer-centric and financially sustainable utility that provides affordable, reliable, resilient services to the citizens of Puerto Rico. Major transformation initiatives include:



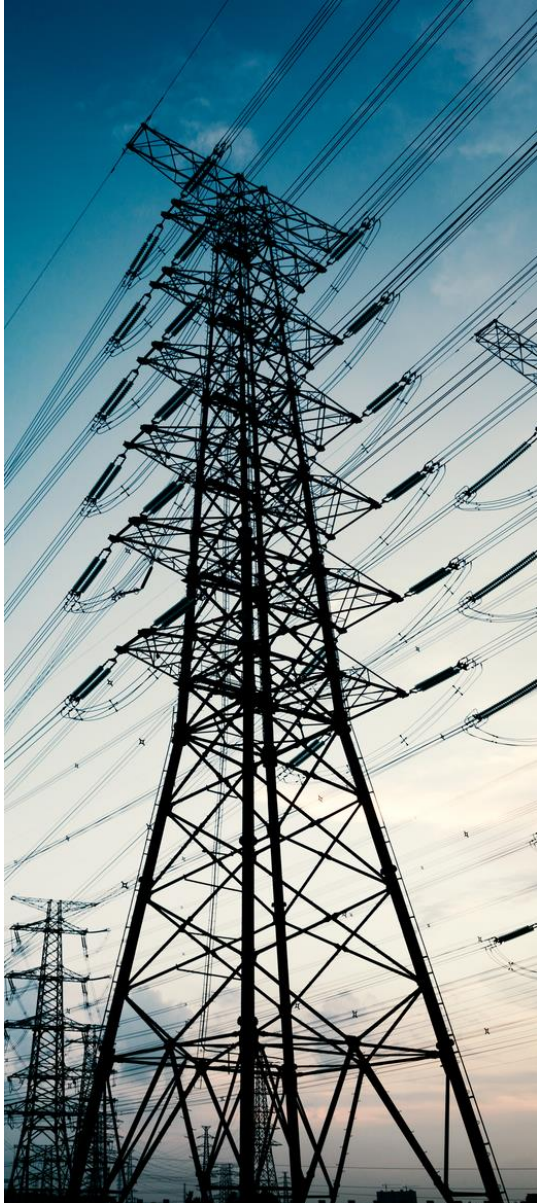
Enactment of the "Puerto Rico Electrical Transformation Act" (Act 120-2018) with the objective of **attracting and introducing private investment, knowledge and experience** in order to manage and operate PREPA's T&D system and develop **new, modern and clean generation resources**.



Completion of system repair and restoration of damages caused as a results of Hurricanes Irma and Maria through the utilization of available federal funding sources.



Issuance by the P3 Authority of an **RFP to transfer the operation and management of PREPA's T&D system** to a private operator.



Implementation of strategic initiatives to **modernize generation fuel mix, reduce fuel cost and price volatility**, and achieve operational efficiencies, including commencement of the conversion of San Juan 5 & 6 units from diesel to natural gas and improving economic dispatch.



Improved fiscal position, **maintained adequate reserve funds**, improved reporting and achieving 12% higher consolidated revenue than budgeted (through March 2019)



Preliminary **development of an Energy Grid Modernization plan**, which includes investments needed to improve grid resilience.



Submittal of a **proposed Integrated Resource Plan (IRP)** (pending PREB approval) that will serve as the planning document for new generation investment by private developers. The IRP includes plans to **transition to more renewables in the generation mix**, primarily in solar photovoltaics and battery storage.



Execution of a Definitive Restructuring Support Agreement (RSA), which provides for **substantial savings** in the recovery of legacy costs associated with the financing of Puerto Rico's electric infrastructure. Restructuring PREPA's legacy debt obligations is a key component of Puerto Rico's energy transformation and its **successful conclusion will pave the way for a resilient, reliable, and affordable energy system**.

To achieve its transformation goals, PREPA must continue to develop and implement the transformation initiatives detailed in the Fiscal Plan across a wide range of issues including, completion of the transaction to transfer the operations and management of PREPA's T&D system to a private operator, investment in generation, transmission and distribution projects consistent with this Fiscal Plan, the IRP and the Energy Grid Modernization Plan, completion of the restructuring of its debt obligations and exiting Title III of PROMESA and further improvement of grid operations through economic dispatch and vegetation management, among other initiatives.

The vision outlined in the August 2018 Fiscal Plan and Budget assisted PREPA in stabilizing liquidity, improving operations and launching privatization efforts

Noteworthy Accomplishments in Fiscal Year 2019

San Juan 5 & 6	<ul style="list-style-type: none"> Execution of San Juan 5 & 6 (conversion from diesel to natural gas) contracts after review and analysis of potential expense savings; construction commenced
Launch of P3 for T&D Privatization	<ul style="list-style-type: none"> T&D RFQ was issued in October 2018; qualified proponents were announced in January 2019; RFP was issued in early February 2019, together with a proposed term sheet and a due diligence data room; management meetings, site visits, and due diligence are underway
Debt Restructuring	<ul style="list-style-type: none"> AAFAF and FOMB announced and published definitive PREPA RSA with Ad Hoc Group of PREPA bondholders and Assured Guaranty on May 3, 2019, with an exchange rate of 67.5% for new Tranche A and 10% for new Tranche B bonds Definitive RSA represents approximately \$3 billion in bonds, representing 51% of bondholders, and 40% in debt reduction over the next ten (10) years; FY2015/16 audited financials issued
Operational Initiatives	<ul style="list-style-type: none"> \$54M in additional operational savings during FY2019 YTD
Regulatory Framework	<ul style="list-style-type: none"> Successful enactment of Act 17-2019 setting forth a regulatory structure based on mainland structures and providing for private investment in the energy system
Liquidity	<ul style="list-style-type: none"> PREPA's cash flow remained stable during FY 2019 as cash receipts have generally met operating cash expenditures \$300M Superpriority Post-Petition revolving Credit Loan from Commonwealth of Puerto Rico was repaid in March 2019
Budget to Actuals	<ul style="list-style-type: none"> Reporting on FY2019 Budget to Actual and variances prepared on a quarterly basis FY2019 second quarter Budget to Actual report showed revenue targets were achieved
Restoration Work¹	<ul style="list-style-type: none"> Established dedicated Disaster Funding Management Office in March 2019 Received an estimated \$451M emergency work in reimbursements from Federal Emergency Management Agency in FY2019
IRP	<ul style="list-style-type: none"> Submissions of the Integrated Resource Plan submitted to PREB in February and June 2019; regulatory approval underway and IRP still under revision
Independent Engineer Report	<ul style="list-style-type: none"> Draft of Independent Engineer Report providing an updated assessment of PREPA's infrastructure submitted to PREPA management for review on April 5, 2019; final version pending publication
Medical Benefit Reform	<ul style="list-style-type: none"> Prepared and executed a contract for employee healthcare plans, effective January 1, 2019. New plan for active employees and retirees met planned savings targets for FY2019
Audited Financial Statements	<ul style="list-style-type: none"> FY2016 audited financials issued on December 12, 2018

1: PREPA's "Project Worksheet Master Tracker" as of 3/29/19

The Renewed Vision and Purpose of the June 2019 Fiscal Plan

This June 2019 Fiscal Plan has been developed with a vision to deliver more reliable, cost-effective, and cleaner energy. This includes efforts to complete operational initiatives, transfer operation and management of T&D assets to a private operator, modernize generation resources through private investment, and exit from Title III.

Overarching Goals of the June 2019 Fiscal Plan

- **Strategy:** Ensure overall compliance with the implementation of the Governor's public policy for reforming the Puerto Rico energy sector and Fiscal Plan requirements, including transactions related to T&D and generation operations
- **Pension Sizing:** Incorporate revised pension liability sizing and required funding
- **Integrated Resource Plan (IRP) Results:** Incorporate recommended course of action from latest IRP submission
- **Restructuring Support Agreement (RSA):** Incorporate financial terms from the RSA settlement with creditors and insurers
- **Updated Financial Projections:** Based on recent macroeconomic data, YTD results, FY2020 Budget, the IRP, Energy Grid Modernization Plan (EGM), RSA supporting holders treatment (including 1 c/kWh Settlement Charge, beginning July 1, 2019), and an estimated charge for unfunded pensions liability starting in FY2021

Note: Fiscal year begins in July of the previous calendar year

	April 2017 Fiscal Plan	June 2017 budget certified	Title III filed	Fiscal Plan revisions and amendments	Transformation & August 2018 Fiscal Plan	June 2019 Fiscal Plan Certified	Exit from Title III (Plan of Adjustment)
Timeline	April 28, 2017	June 30, 2017	July 2, 2017	July – Sep 2017	Oct 2017 – Aug 2018	Sep 2018 – June 2019	TBD, 2019 – 2020
Detail	<ul style="list-style-type: none"> Financial Oversight and Management Board for Puerto Rico (FOMB) certified PREPA Fiscal Plan for FY2017–2026; amendments included achieving an aspirational 21 cent per kWh rate by 2023 New and revised operational initiatives and an outline for regulatory reform 	<ul style="list-style-type: none"> PREPA submitted its FY2018 budget, which the FOMB approved and certified, subject to reconciling and agreeing to their requirements for a revised Fiscal Plan with amendments 	<ul style="list-style-type: none"> FOMB filed a voluntary petition under Title III of The Puerto Rico Oversight, Management, and Economic Stability Act in the United States District Court for the District of Puerto Rico 	<ul style="list-style-type: none"> PREPA continued to implement and revise its FY2018 Fiscal Plan in close coordination with the FOMB Working team established to develop operational and regulatory transformation plan Impact of hurricanes Irma and Maria delayed and affected fiscal plan implementation assumptions and objectives 	<ul style="list-style-type: none"> Governor announces new energy sector public policy The FOMB established revised dead-lines (April 2018) to submit an amended Fiscal Plan based on certain principles set forth in letter on December 12, 2017, updated macro assumptions, and other data Following revisions to the Commonwealth Fiscal Plan and progress on the PREPA budget, the Fiscal Plan was further revised and certified on August 1, 2018 	<ul style="list-style-type: none"> Fiscal Plan implementation and reporting continues Energy sector transformation process launched and underway Initial IRP report submitted to PREB, Feb. 2019, revisions requested and underway March – May 2019 Definitive RSA reached with Ad Hoc group of bondholders and Assured Draft and certify Fiscal Plan and Budget for FY2020 	<ul style="list-style-type: none"> Selection of T&D Operator and signing of The Puerto Rico Public – Private Partnerships Authority (P3) Agreement Determination of amount and terms of federal funds to support reconstruction of energy infrastructure Integration of results from operational and strategic improvement initiatives and IRP approval Plan of adjustment contemplating transfer of certain PREPA assets approved by the Federal District Court

The implementation of the Energy Sector Transformation has required the leadership and collaboration of the following government entities that are broadly aligned on the need for transformation of the Puerto Rico Energy Sector



Government of
Puerto Rico



Puerto Rico
Energy Bureau
(PREB)



Puerto Rico
Electric Power
Authority
(PREPA)



Fiscal Agency
and Financial
Advisory
Authority
(AAFAF)









Puerto Rico
Public-Private
Partnership (P3)



Financial
Oversight and
Management
Board
(FOMB)

II. Transformation

	Near-term (next 5 years)	Long-term (beyond 5 years)
Improving reliability and resiliency 	<ul style="list-style-type: none"> ▪ Executing critical maintenance projects in the near-term to improve reliability and resiliency ▪ Modernizing and hardening the grid to deliver short term savings targets 	<ul style="list-style-type: none"> ▪ Modernizing and hardening the grid to ensure long term resiliency ▪ Delivering reliability and power quality (voltage and frequency) at levels closer to median or top quartile utility players
Improving affordability and customer experience 	<ul style="list-style-type: none"> ▪ Ensuring rates stay at an affordable level by reducing O&M costs, reducing fuel costs, and achieving operational efficiencies ▪ Improve customer outreach and satisfaction 	<ul style="list-style-type: none"> ▪ Maintaining affordable rates, despite anticipated declining load ▪ Meeting new customer expectations (e.g. faster and more streamlined process for connecting DG)
Improving safety and security 	<ul style="list-style-type: none"> ▪ Improving employee and public safety performance every day to standards closer to other peer utilities 	<ul style="list-style-type: none"> ▪ Increasing the use of technology to protect employees and the public every day ▪ Implementing new cybersecurity initiatives
Implementation of investment plans 	<ul style="list-style-type: none"> ▪ Implementing near-term generation procurement and T&D modernization plans 	<ul style="list-style-type: none"> ▪ Implementing longer-term capacity restructuring plan for generation ▪ Investing in a modern, resilient grid
Meeting policy goals 	<ul style="list-style-type: none"> ▪ Increasing use of natural gas and renewable generation 	<ul style="list-style-type: none"> ▪ Meeting the 100% renewables target by 2050 ▪ Setting up a fair market structure for wholesale and retail power
Maintaining responsible fiscal management 	<ul style="list-style-type: none"> ▪ Ensuring adequate liquidity in daily operations and legacy debt service ▪ Delivering consistently against capital and operating expense budgets ▪ Maintaining oversight and accountability to ensure robust near-term and long-term fiscal sustainability 	<ul style="list-style-type: none"> ▪ Continue working to achieve incremental savings and lowest possible rates

The Fiscal Plan sets forth a path to execute on the Governor's vision for energy sector transformation

Background

- In the aftermath of Hurricane Maria, on January 22, 2018, Governor Ricardo Rosselló outlined a vision for the transformation of the energy sector, setting forth the need for an energy sector that is customer-centric, reliable, resilient, cost efficient, while meeting environmental, regulatory, and statutory constraints and requirements
- To achieve this vision, Governor Rosselló mandated that the Government leverage private sector management and organizational expertise. This will be enacted through the execution of a transparent and competitively procured public-private partnership for operating and managing of the T&D system and a separate process for the privatization of the generation system

The Path to Transformation

- Governor Rosselló has taken affirmative steps to implement his vision for energy sector transformation, including but not limited to the following:

June 5, 2018,
Launched the P3 process for the procurement of a private operator for the T&D system



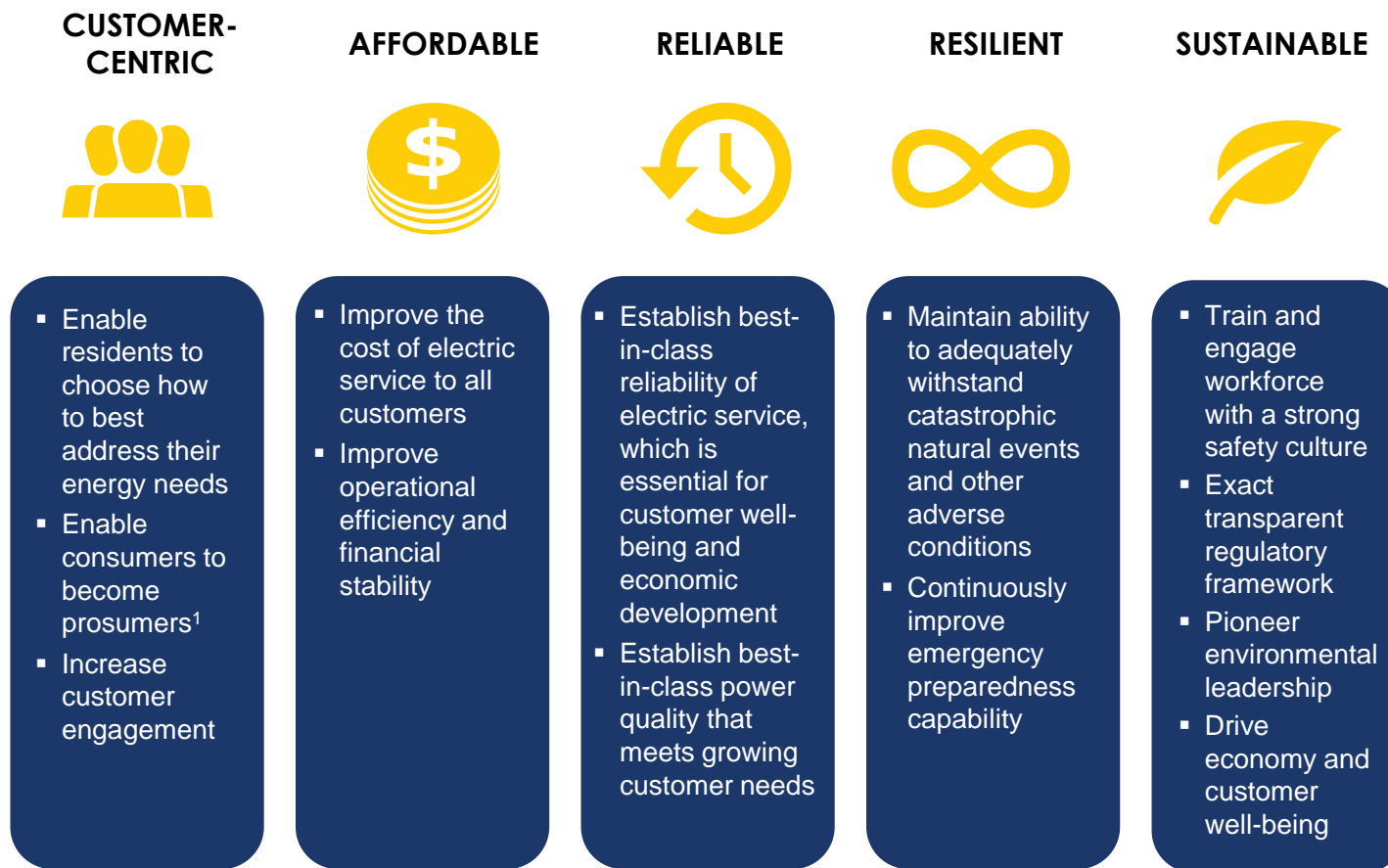
June 20, 2018,
Approved the Puerto Rico Electric System Transformation Act, Act No. 120-2018 to provide the legal authority and mechanism for the sale or transfer of PREPA assets related to generation and for the establishment of public private partnerships ("P3") with respect to any function, service or facility of PREPA, including the T&D system



April 11, 2019,
Approved the Puerto Rico Energy Policy Act, Act No. 17-2019, which establishes a regulatory framework to attract private investment, as well as providing for regulatory oversight over the future private T&D Operator and other private energy market participants

PREPA's efforts are consistent with the Governor's policy. In collaboration with AAFAF and the P3 Agreement (P3A), PREPA is running on schedule and complying with the established T&D transaction timeline announced in October 2018

Following the Governor's Vision, PREPA's June 2019 Fiscal Plan is predicated on the implementation of an Energy Sector Transformation, leveraging private sector capital and operational expertise, to achieve the following objectives:



¹ A prosumer is a person or legal entity who consumes and produces a product (e.g. a consumer using residential solar for partial electricity consumption)

Energy Sector Vision – Current and Future State

Case:17-03283-LTS Doc#:8368-2 Filed:08/02/19 Entered:08/02/19 18:11:59 Desc:
Exhibit B Page 16 of 125

The vision for a future state industry structure creates a new “GridCo” for non-generation functions that will be operated and managed by a privately owned utility service provider.

Current State

Future State

Puerto Rico Energy Bureau (PREB)

Existing Private Generation

AES

EcoElectrica

Renewables

PREPA

Vertically Integrated Public Utility Company

Puerto Rico Energy Bureau (PREB)

Existing Private Generation

AES

EcoElectrica

Renewables

Divested PREPA Generation

San Juan

Costa Sur

Palo Seco

Aguirre

Others

New “GridCo”

Privately Owned and Managed Service Provider

- Dispatch Operations
- Transmission & Distribution
- Customer Service
- Environmental, Planning and Administrative

New P3 Generation / Storage

Generation

Storage

Microgrids

Role of PREB:

- Approve Rates, IRP, and Capital Planning
- PPA Review and Oversight over Energy Companies
- Energy Policy Implementation

Role of GridCo:

- Operation and maintenance of the T&D assets & system, street lights, and meters;
- Control center operations, generation scheduling, and economic system dispatch;
- Integration of renewable generation and distributed energy resources;
- Power procurement;
- End-customer metering, billing, collections service, support, new service interconnection
- Outage management, restoration, coordination of emergency planning and storm recovery;
- Regulatory and environmental compliance;
- Delivery of grid capital expenditures and deployment of federal funding across system

Role of P3A:

- P3 process will be followed for new generation and storage facilities consistent with the IRP
- P3A will serve as contract manager/administrator consistent with P3 Act

Generation

- Significantly expand the development of private sector renewables and efficient natural gas-fired facilities
- Right-size generation fleet, retiring old and inefficient units
- Baseload facility repairs and enhancements
- Use of proven energy storage, distributed energy, and MiniGrid/microgrid technologies

T&D

- Reconstruct and upgrade T&D infrastructure to modern best-in-class codes and standards
- Leverage and maximize federal funding to design a system capable of withstanding and quickly recover from a catastrophic natural event
- Introduce smart meters to limit technical and non-technical energy losses and better serve customers
- Implement a robust vegetation management program
- Implement a system of MiniGrids throughout the island that can be operated independently in times of need

Operational and Customer Service

- Operational metrics in-line with mainland U.S. utilities
- Streamline operational costs
- Implement a strong safety culture
- Introduce customer e-billing, and outsourcing of the customer call center
- Improve customer service to better serve customers

The T&D RFP process is being conducted by the Puerto Rico Public-Private Partnerships Authority (P3A) with the purpose of awarding a long-term Partnership Contract.

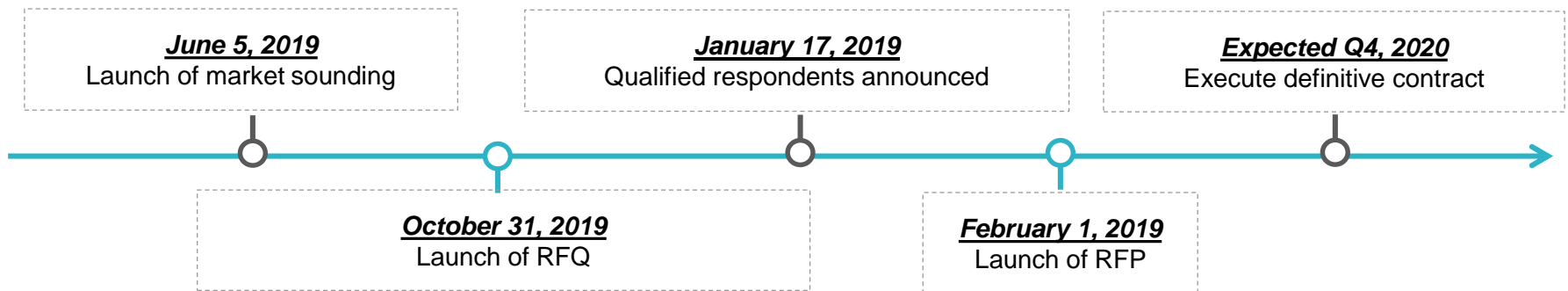
RFP Process Overview

- Parties that were advanced to the RFP stage (“Qualified Respondents”) were invited to submit proposals to manage, operate, maintain, rehabilitate, repair, refurbish, replace, improve, expand, and finance the T&D system
- At the conclusion of the RFP Process, the Authority and PREPA expect PREPA to enter into a long-term agreement (the O&M Agreement) with a private sector company or consortium (the Private Party)
- The RFP Process allows the opportunity for Qualified Respondents to thoroughly diligence the PREPA T&D system and operations through the following:

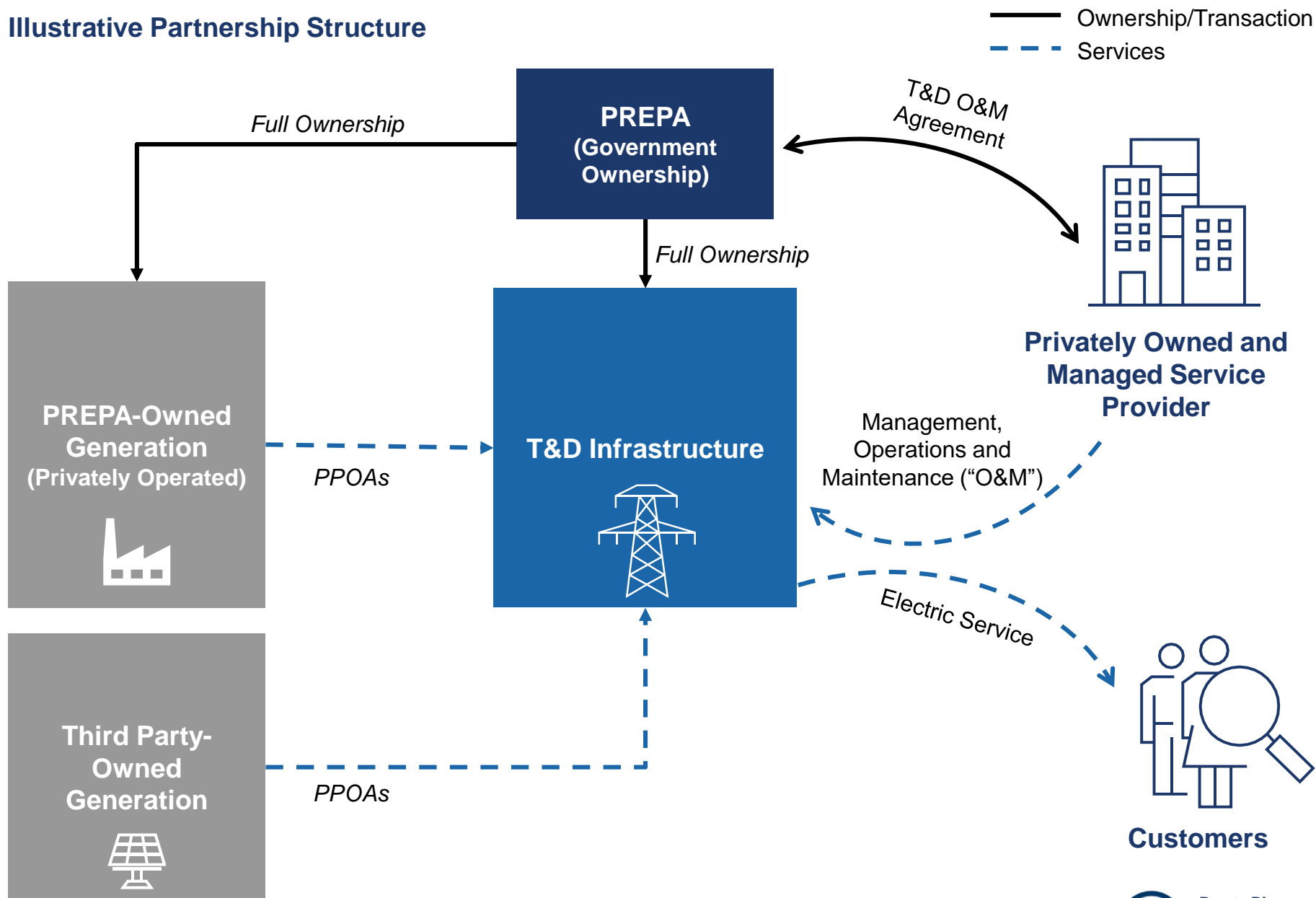
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| – Dataroom | – Site visits |
| – Financial model and forecast | – Opportunity to participate in Q&A |
| – Access to management and senior personnel | – White papers on key areas of diligence |

Key RFP Process Milestones

Note: Timeline and RFP key milestones are for illustrative purposes



Illustrative Partnership Structure



Objective 1

Transfer existing PREPA generation assets to private operations and maintenance

Objective 2

Establish framework wherein future generation assets are privately owned / operated

Objective 3

Reduce reliance on fuel oil and overall fuel cost and associated volatility and emissions

Objective 4

Modernize generation fleet, retiring inefficient units and increasing the development of renewable energy and natural gas-fired facilities

Objective 5

Invest in facility repairs and enhancements to improve system resiliency

Objective 6

Leverage proven energy storage, distributed energy, and MiniGrid technologies to provide greater flexibility, reliability, and resiliency of energy supply

Objective 7

Optimize economic dispatch capabilities by implementing modern technologies

Objective 8

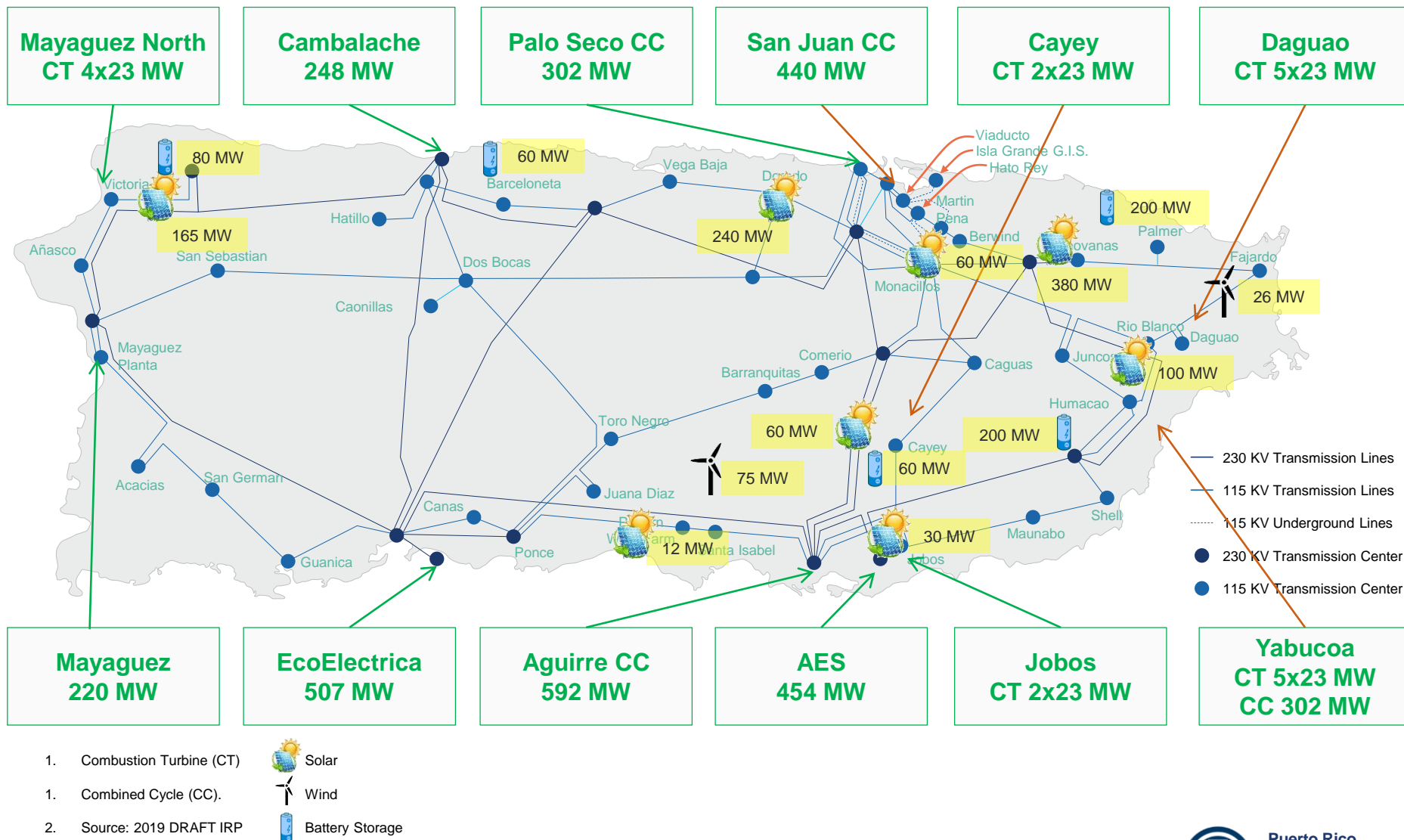
Improve overall system operational flexibility

Objective 9

Right-sizing of generation fleet

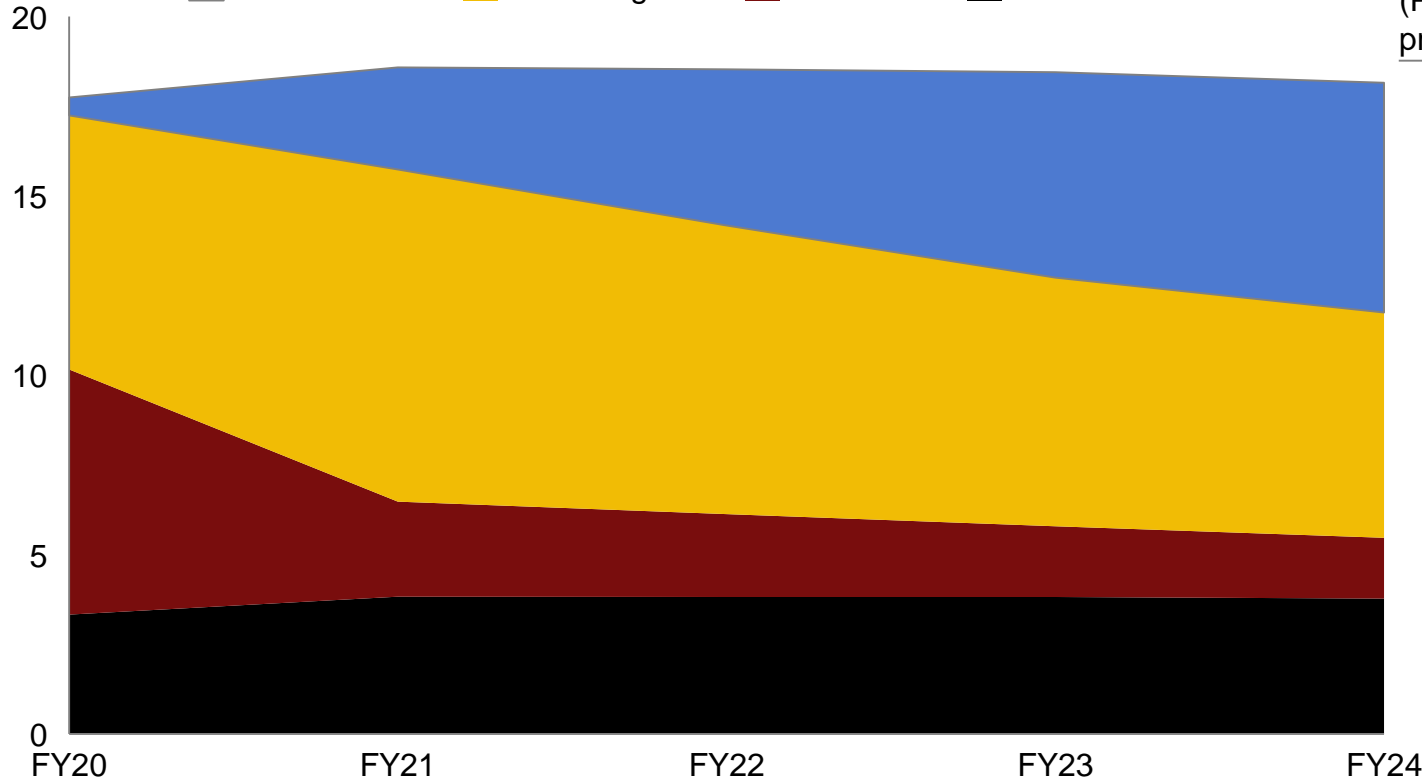
All new generation will be owned and / or operated by private entities, with the near- to mid-term goal of fully separating operation of the generation assets from PREPA

The map below represents the latest vision for the power system's generation state in 2025, per the IRP ESM scenario.



Energy Production Over Time (TWh)

Renewables Natural gas¹ Fuel oil² Coal



FY2024 Generation Mix
(Percent of total energy production)

35% in renewables

35% in natural gas

9% in fuel oil

21% in coal

Over the long-term, Puerto Rico will make a significant shift towards renewable and efficient dual-fuel combined cycle power generation. The resulting mix will support system reliability, affordable rates and environmental stewardship.

¹ Includes generation from EcoElectrica

² Includes generation from diesel and heavy fuel oil

SOURCE: 2019 Integrated Resources Plan ESM Scenario (Adjusted to macroeconomic forecasts of this Fiscal Plan). FY20 forecast modeling based on separate PROMOD modeling run with assumptions in line with most up to date information on implementation of generation and dispatch related initiatives

Objective 1

Select a qualified private T&D operator (the “Private Operator”) to leverage private sector management, operational and maintenance expertise of the T&D system

Objective 2

Upgrade T&D infrastructure to current industry codes and standards

Objective 3

Implement MiniGrids and microgrids for critical infrastructure and remote communities

Objective 4

Reinforce substations, poles, and conductors to withstand catastrophic events

Objective 5

Leverage modern grid technologies to lower number of outages and operational costs, reduce recovery times, enhance network communications and control systems, and enable integration of significant renewable and distributed resources

Objective 6

Identify and implement emergency planning, response, and coordination improvements related to customer engagement and the use of mutual aid support

The Private Operator will be responsible for executing the EGM strategy as well as assisting in the deployment of related federal funding, as relevant and available

To enable the goals of the transformation, a number of initiatives are envisaged

Case 1:19-cv-03283-LTS Document 3-1 Filed 08/02/19 Entered 08/02/19 18:14:59 Desc Exhibit B Page 24 of 125

Objectives of transformation

Proposed initiatives in progress

CUSTOMER-CENTRIC



- Enable residents to choose how to best address their energy needs
- Enable consumers to become prosumers¹
- Increase customer engagement

- Deploy E-Billing, outsource call center operations, restore power to its customer base and increased revenues,

AFFORDABLE



- Improve the cost of electric service to all customers
- Improve operational efficiency and financial stability

- T&D Transformation Transaction, Transformation of Generation Fleet, implemented updated fuel and purchase power strategy, restructure the debt obligations, finalize future labor strategy

RELIABLE



- Establish best-in-class reliability of electric service, which is essential for customer well-being and economic development
- Establish best-in-class power quality that meets growing customer needs

- Begin analysis for microgrid candidates, develop and initiate renewables strategy incl. Hydro, generation scale solar, rooftop solar

RESILIENT



- Maintain ability to adequately withstand catastrophic natural events and other adverse conditions
- Continuously improve emergency preparedness capability

- Deploy vegetation management contractor at scale

SUSTAINABLE



- Train and engage workforce with a strong safety culture
- Exact transparent regulatory framework
- Pioneer environmental leadership
- Drive economy and customer well-being

- Improving safety performance, reduce sustained overtime, create a workplace environment to drive employee satisfaction

Status of Critical Initiatives to Enable Sector Transformation

PREPA is undertaking or has completed the following tasks throughout the Transformation Period to-Date:

<i>Element of Transformation</i>	<i>Operational Enablers / Initiative</i>	<i>Status</i>	<i>Detail</i>
Privatization	Enactment of enabling act for transformation	Completed	Enactment of Act 120-2018 (the Puerto Rico Electric System Transformation Act) on June 20, 2018
Privatization	T&D Transformation Transaction	Ongoing	Successful issuance of RFP by the P3 Partnership Committee; on schedule for a year-end 2019 selection announcement
Privatization	Regulatory Framework for Sector Transformation	Completed	Act 17-2019 signed into law on April 11, 2019 , enabling energy sector transformation
Privatization	Transformation of Generation Fleet	Ongoing	P3A and PREPA working together on procurement documentation
Governance	Establishment of PMO	Completed	PMO established in November, 2017 , to manage transformation and Fiscal Plan implementation and reporting efforts in close coordination with FOMB
Resiliency	Grid Modernization Plan	Ongoing	PREPA to continue working with a technical expert consultant on the modernization roadmap; COR3, P3A and PREPA finalized the Energy Grid Modernization Plan which sets forth the capex roadmap for a flexible and decentralized grid (significantly relies on FEMA funding)
Regulatory	Develop Integrated Resource Plan	Ongoing	Proposed IRP was submitted on June 7, 2019 ; pending review and approval by PREB
Regulatory	Permanent Rate Implementation	Completed	Implemented on May 1, 2019 .

Status of Critical Initiatives to Enable Sector Transformation (continued)

PREPA is undertaking or has completed the following tasks throughout the Transformation:

<i>Element of Transformation</i>	<i>Operational Enablers / Initiative</i>	<i>Status</i>	<i>Detail</i>
Revenues	Restore power to its customer base and increased revenues	Completed	Power was restored to 100% of customers capable of receiving power in August, 2018 ; base revenues are 7.8% above budget for March 2019 YTD
Liquidity	Ensure funding for continued operations, including billing all customers and securing external funding	Completed	PREPA actively managed its liquidity needs, including obtaining and fully re-paying a \$300 million loan from the Central Government on March 8, 2019
Fuel and Purchased Power	Execution of Fuel Diversification Strategy	Ongoing	PREPA selected and signed an agreement for LNG supply to San Juan units No. 5 & 6 (which currently burn diesel) on March 2019 , with significant projected fuel cost savings of \$500 million over the next five years
Fuel and Purchased Power	Conventional PPOA Renegotiation	Ongoing	PREPA actively negotiating with independent power producers (IPP), in compliance with the IRP
Fuel and Purchased Power	Palo Seco New Units	Ongoing	Drafting of RFP underway for new 300MW combined cycle in Palo Seco, subject to consistency with final IRP
Fuel and Purchased Power	Fuel Supply Contract Renegotiation	Ongoing	Comprehensive fuel procurement strategy should be developed by the end of Q1 FY2020 to deliver further savings for PREPA starting in FY2020
Reliability	Vegetation Management Outsourcing	Ongoing	Two pilot projects completed; execution of longer term outsourcing underway
Reliability	Mobile Generators	Ongoing	Ongoing study on dispatchable backup generators, to be aligned with microgrid development
Reliability	Battery Energy Storage	Ongoing	Proposals received by the P3A from private proponents, awaiting confirmation of Federal Emergency Management Agency (FEMA) funding

Status of Critical Initiatives to Enable Sector Transformation (continued)

PREPA is undertaking or has completed the following tasks throughout the Transformation:

<i>Element of Transformation</i>	<i>Operational Enablers / Initiative</i>	<i>Status</i>	<i>Detail</i>
Reliability	Microgrids	Ongoing	High level analyses of critical areas for microgrids complete, PREPA to develop final list of project candidates
Customer Service	Call Center Outsourcing	Ongoing	RFP for an outsourced overflow call center issued in February 2019
Customer Service	E-Billing	Ongoing	Pre-Maria E-Billing was initiated; reintroduced with new PREPA website; Advanced Metering Infrastructure (AMI) team is working on the RFP & specifications
Labor Operating Expenses	Medical Benefits Reform	Completed	PREPA successfully reformed its medical benefits program on January 1, 2019 , resulting in annualized savings of roughly \$29 million ¹ relative to what PREPA was previously spending
Labor Operating Expenses	Labor Benchmarking	Ongoing	Ongoing personnel capacity assessment in T&D, customer service, generation directorates; preliminary results under examination
Labor Operating Expenses	Overtime Optimization	Ongoing	Preliminary analysis of recent overtime (OT) spending data complete; PREPA to continue identifying OT drivers and coordinate with the personnel capacity assessment
Legacy Obligations	Restructuring Support Agreement (RSA)	Ongoing	AAFAF and FOMB announced and published definitive RSA with Ad Hoc Group and Assured; legal and financial advisors are continuing discussions on implementation and deal closing

¹ Includes savings from lower Retiree Medical Benefits costs.

Status of Critical Initiatives to Enable Sector Transformation (continued)

PREPA is undertaking or has completed the following tasks throughout the Transformation:

<i>Element of Transformation</i>	<i>Operational Enablers / Initiative</i>	<i>Status</i>	<i>Detail</i>
Legacy Obligations	Pension Reform	Ongoing	Pension analysis conducted by an independent third-party; PREPA and the Government to complete analysis and finalize work plan in FY2020
Reliability	Hydro	Ongoing	Final RFQ issued; development of procurement documentation underway for Toro Negro Hydro
Reliability	Peakers	Ongoing	Final RFQ issued for converting existing peaking resources to Combustion Turbine (CT) or Reciprocating Internal Combustion Engine (RICE); RFP to be issued by P3A
Reliability	Legacy Generation Assets	Ongoing	Development of procurement documentation underway for temporary and eastern generation; PREPA and P3A designing procurement strategy for remaining assets
Resiliency	428 Funding	Ongoing	Energy Grid Modernization (EGM) plan completed ¹ , which will serve as a basis for 428 permanent work funding requests
Resiliency	CDBG funding	Ongoing	\$2 billion in CDBG-DR funding appropriated “for improved electrical power systems in areas impacted by Hurricane Maria” ² ; PREPA working with Dept. of Housing and Urban Development (HUD), Department of Energy (DOE), and PR Housing Administration for compliant projects to qualify

1. Capital expense forecast currently still in preliminary draft form to be updated under COR3 leadership as it receives input from key stakeholders, including but not limited to the federal government entities involved in awarding funding for energy system reconstruction

2. Federal Register Notice to Department of Housing and Urban Development, 83 FR 40314

- PREPA and the P3 Authority have issued two RFPs prior to the IRP submission, and two RFPs are soon to be released.
- Outstanding RFPs were issued to move towards the goal of supporting a modern grid and a new generation mix

RFP	Type	Issuer	Issued	Deadline	Latest update
New generation for Culebra & Vieques	Generation	PREPA	April 2018	Complete	<ul style="list-style-type: none"> ▪ 15MW system ▪ Brings generation closer to load
Utility scale energy storage	Storage	P3 Authority	RFQ: June 2018	TBD	<ul style="list-style-type: none"> ▪ RFP sent to bidders; extension made to the selection process due to delays in the FEMA application process
Hydroelectric program upgrade	Generation	P3 Authority	TBD	TBD	<ul style="list-style-type: none"> ▪ Final RFQ issued in early April, RFP in draft phase
Replace PREPA's peaking units	Generation	PREPA & P3 Authority	TBD	TBD	<ul style="list-style-type: none"> ▪ Final RFQ issued in early April, RFP in draft phase
San Juan 5 & 6 Conversion	Generation	PREPA	July 2018	Complete	<ul style="list-style-type: none"> ▪ Awaiting final environmental approvals and permits

PREPA has issued the following RFPs that are included in the IRP and PREPA planning processes:

- Two RFPs for development of microgrids, one at the Roosevelt Roads Naval Station¹ and five at PRIDCO industrial sites²
- One RFP proposes a 160-240 MW liquefied propane gas (LPG) private generation facility in San Juan, closer to demand³

¹ Issued by the Commonwealth of Puerto Rico through the Local Redevelopment Authority for Naval Station Roosevelt Roads

² Issued by the Commonwealth of Puerto Rico through the Puerto Rico Industrial Development Company (PRIDCO)

³ The project was accepted by the P3 Authority and is still under consideration and should be assessed as part of the IRP

III. Historical Context and Current Challenges

PREPA is vertically integrated and is the sole energy provider in Puerto Rico



- Puerto Rico inflation adjusted macroeconomic indicators (real GNP) have been stagnant for the past decade, since 2006
- **PREPA serves ~1.5M** customers, *91% residential, 9% commercial, and >1% industrial*



- **PREPA has ~6,000** employees, which has declined recently due to retirement
- Since 2008, PREPA lost nearly **40% of its workforce**, primarily highly skilled operational resources



- As of March 2019, PREPA is anticipated to earn revenues of **\$3.3B for FY2019¹**



- Overview of generation system:
 - Generating capacity: **6,070 MW (PREPA 4,876 MW; IPP 961 MW)**
 - **45%** of generation is from oil, compared with national average of **4%**
 - **31** major generating units in **20** facilities; older than national average
 - **4%** of generation capacity from renewables, vs. national average of **15%**
 - PREPA-owned plants average **~41 years** old²



- Overview of transmission and distribution system:
 - Transmission Lines: **1,134 miles (230 kV / 115 kV)**
 - Sub-transmission Lines: **1,549 miles (38 kV)**
 - Primary voltage distribution lines: **16,806 miles (13kV, 8kV, 4kV)**
 - 38 kV substations: **279**
 - 115 kV substations: **61**



- Estimate of reliability metrics in FY2019¹:
 - Average time a customer experiences interruptions (SAIDI³): **9.6 hours** (14.2 hours in FY2017)
 - Average number of power interruptions (SAIFI⁴): **3.8 occurrences** (4.8 occurrences in FY2017)
 - Average length of power interruptions (CAIDI⁵): **2.5 hours** (2.9 hours in FY2017)
- Safety metrics:
 - **10.72 safety incidents** per 200,000 hours of labor in 2018
 - **0 deaths** over the last four years

¹ Based on FY YTD March 2019 financial and operational results. 12 month estimates are extrapolated from 9 month actuals

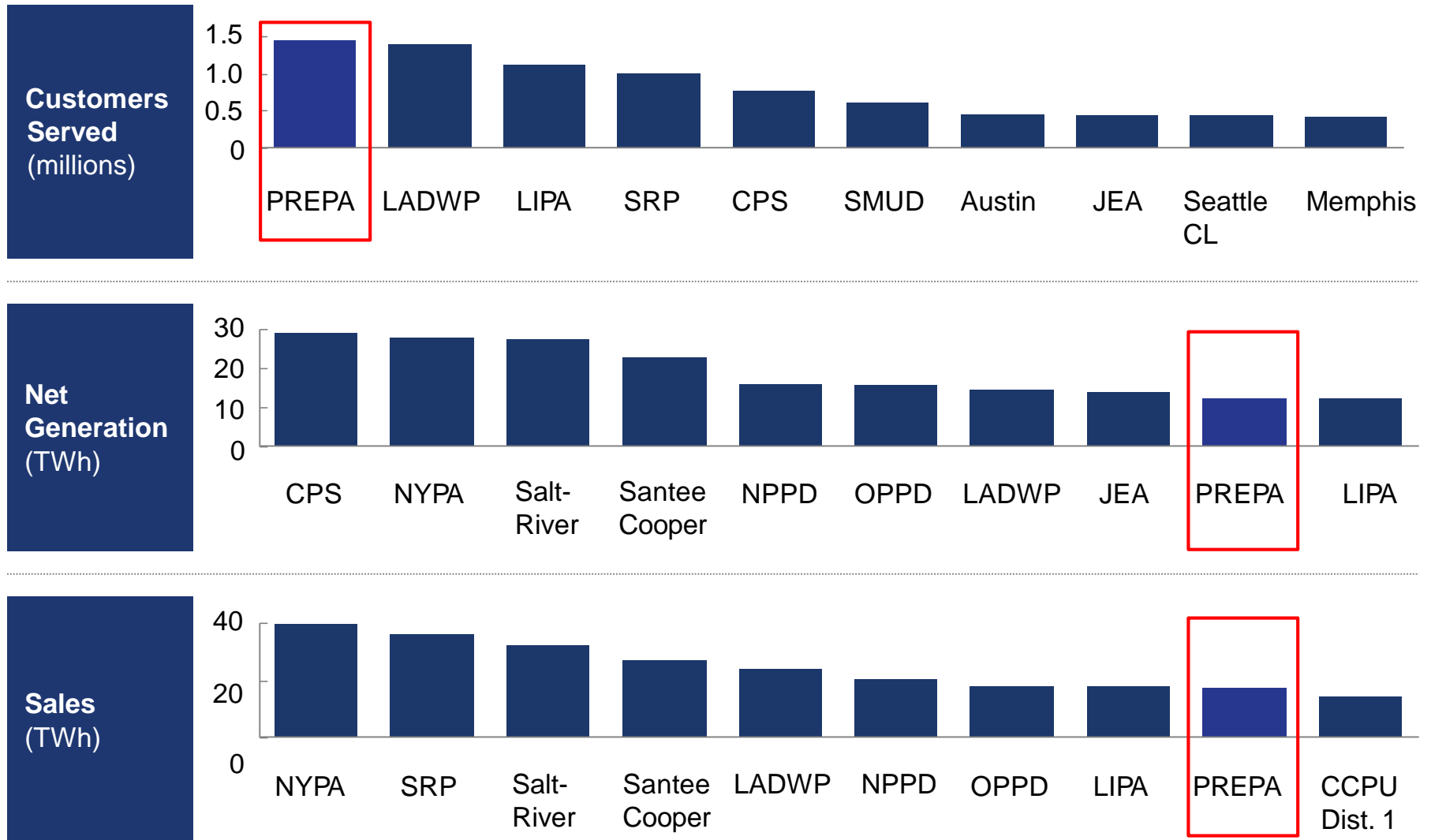
² PREPA-owned plants are all oil or gas fired, all renewables are contracted through PPAs

³ System Average Interruption Duration Index

⁴ System Average Interruption Frequency Index

⁵ Customer Average Interruption Duration Index

PREPA is one of the largest public power utilities in the U.S. by customers served, but has relatively low generation and sales on a per customer basis



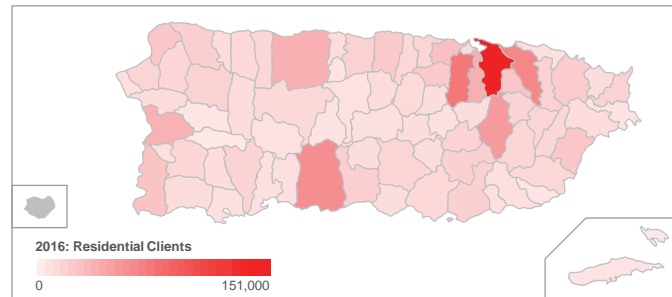
SOURCE: PREPA, as of June 30, 2016, based on unaudited results APPA. "U.S. Electric Utility Industry Statistics, 2014". 2016-2017 Annual Directory & Statistical Report

Characteristics

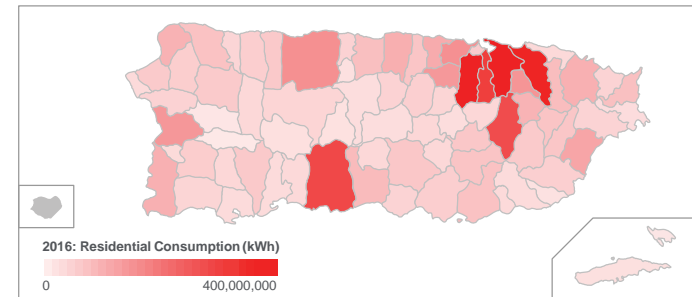
- The largest number of residential and commercial clients are based in the San Juan and Ponce regions
- Industrial clients are primarily located in San Juan and Ponce, with a large number located in Caguas, Guaynabo, and Bayamon
- Manufacturing is one of the largest contributors to Puerto Rico's economy
- Key manufacturing industries are pharmaceuticals and medical devices, but others industries include electronics, apparel, and petrochemicals

Residential Customers¹

Number of Customers

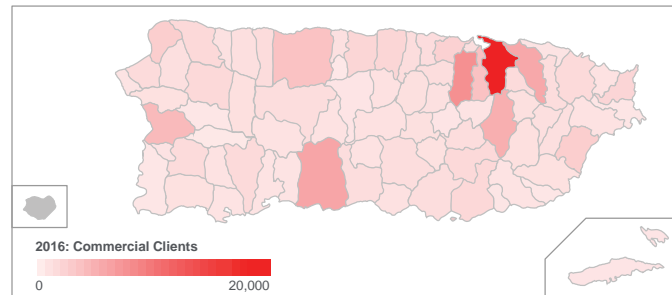


Customer Load

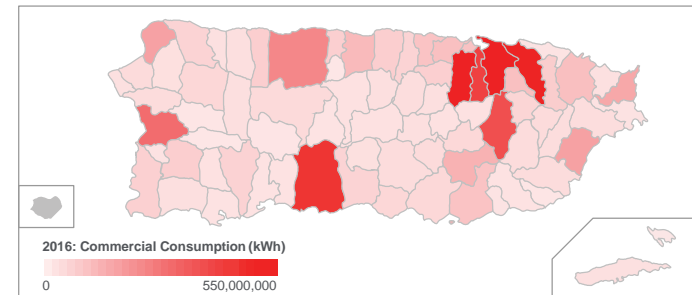


Commercial Customers¹

Number of Customers

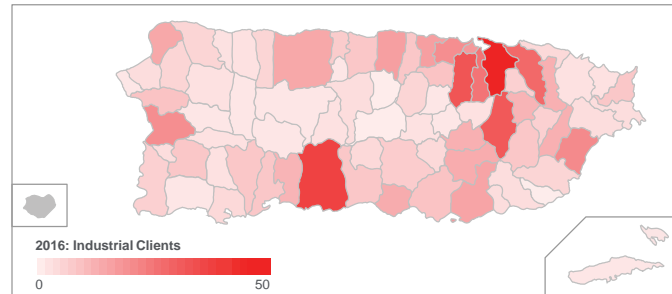


Customer Load

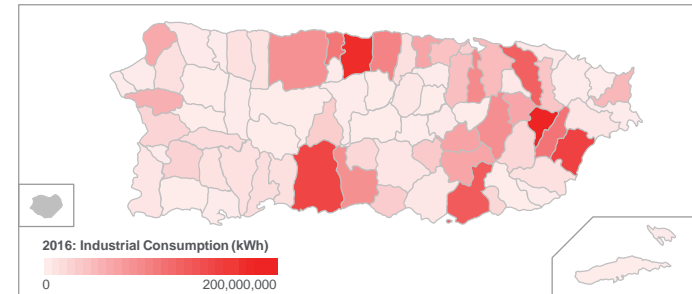


Industrial Customers¹

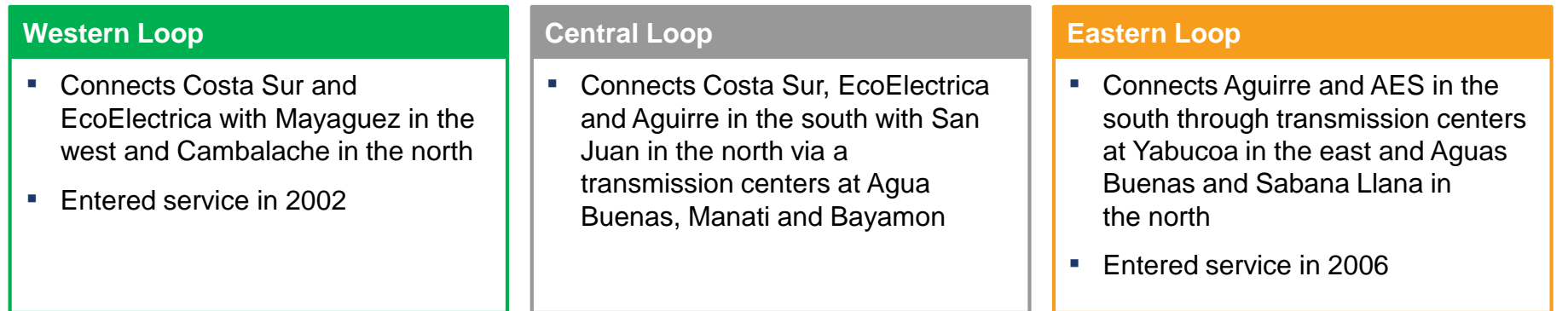
Number of Customers



Customer Load



1. Data presented is as of 2016 and is the most recent data available.



Overview

Transmission

- 1,134 miles of transmission lines (230 kV and 115 kV) and 1,549 miles of sub-transmission line (38 kV)
- Overhead lines total 2,567 miles; Underground lines total 117 miles
- 178 transmission centers operating at 230 kV, 115 kV, and 38 kV and ~44,000 transmission structures
 - Three 230 kV loops in the West, East, and Central parts of the island
 - 115 kV lines serve all the major load centers on the island
 - 38 kV sub-transmission system serve more inaccessible interior regions, as well as most major industrial and commercial customers

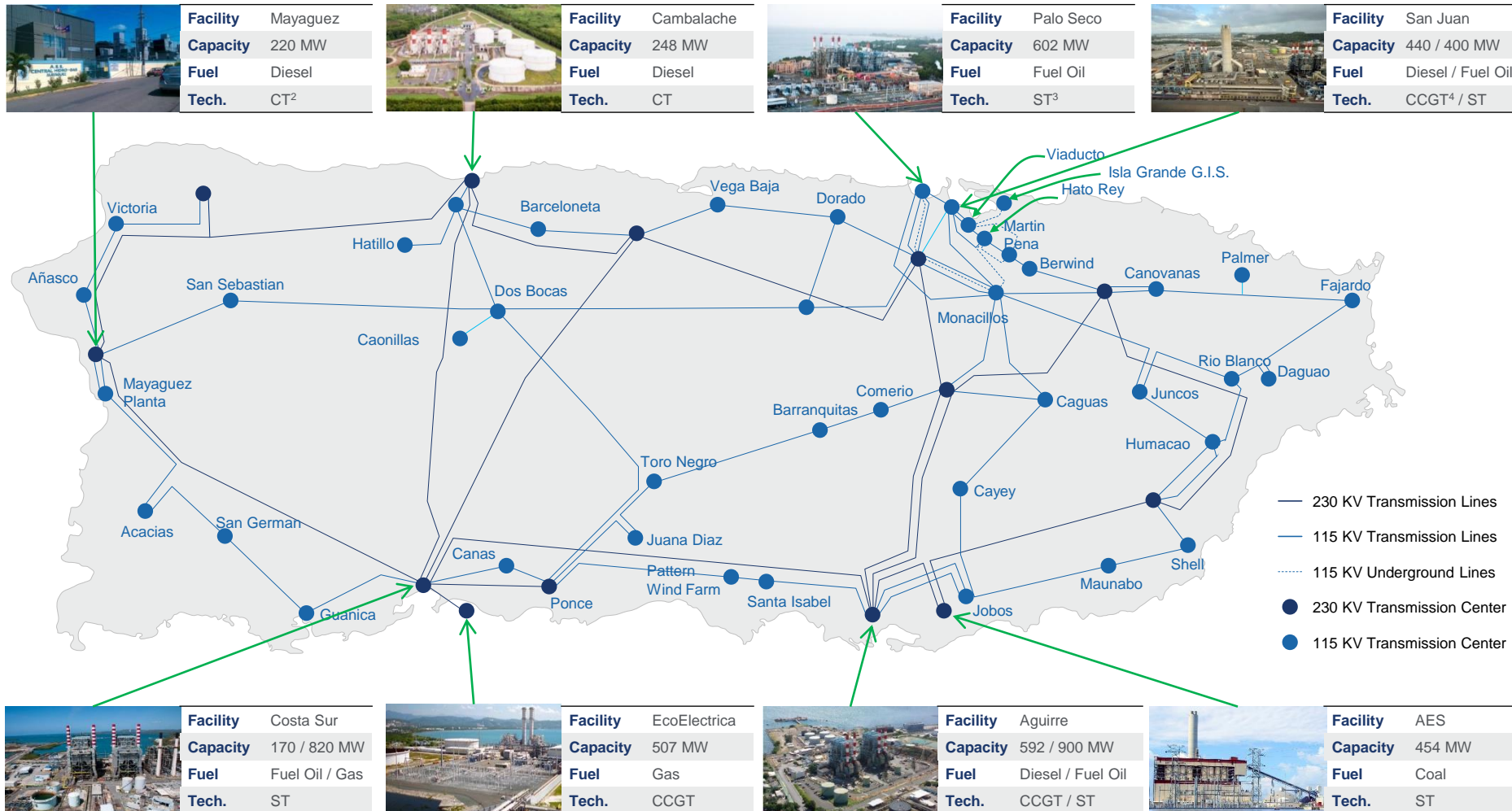
Distribution

- System serves ~1.5mm customers and consists of roughly 1,200 circuits
- ~16,806 miles of primary voltage overhead and underground distribution lines with an estimated 15,087 miles of secondary lines and service drops (total of ~31,893 miles)
- 61-115 kV substations, 279-38 kV substations and 824 privately-owned substations
- System includes ~398,000 distribution poles and ~213,000 service transformers
 - Distribution poles are galvanized steel, concrete, and wood
- System operates at 4.8 kV (>1%), 4.16 kV (52%), 7.2 kV (2%), 8.32 kV (13%), and 13.2 kV (32%)
- The majority of PREPA's distribution system is overhead, with ~20% of lines located underground (mainly in urban areas)

Challenges

- **Geographic:** Majority of load is located in the northern metropolitan areas (~70% of total load), however most generation is in the south (~70% of online generation)
 - Key transmission lines traverse mountainous, densely-vegetated terrain, making them vulnerable to outages
- **Operational:** PREPA does not have a transmission load flow model to analyze the movement of electricity in the system
 - Difficult to anticipate electricity flow due to unanticipated changes, including usage above normal levels
- **Capacity:** Most major lines operate below 45 – 65% of their stated capacity
 - Such challenges can adversely affect overall system reliability

The majority of Puerto Rico's generation capacity is located on the southern coastline and requires large 230 kV transmission lines to connect to the major northern load center in the San Juan Metro Area.



1 Includes both PREPA-owned and contracted (third party-owned) generation assets

2 Combustion Turbine (CT)

3 Steam Turbine (ST)

4 Combined Cycle Gas Turbine (CCGT)

System Considerations	Island System	<ul style="list-style-type: none"> Island based system is isolated and thus unable to import additional power for load balancing / voltage control / frequency control across system Significant fuel import infrastructure necessary to support new gas generation / fuel conversion at existing plants
	Transmission	<ul style="list-style-type: none"> Key load centers (i.e. Greater San Juan) are located in the north, while the most economic generation assets on the island are located in the south, separated by mountainous terrain Only three 230 kV transmission loops link generation from the south with demand in the north, leaving the grid vulnerable to hurricanes and other catastrophic events <ul style="list-style-type: none"> Key transmission lines traverse mountainous areas, allowing for limited access for repairs or reconstruction Transmission lines are operated at low percentages of total capacity for safety / reliability reasons, largely due to challenges with construction design, unmanaged vegetation growth, inability to predict electric flow, and overall system age
Generation Considerations	Unit Size	<ul style="list-style-type: none"> Core units are relatively large as a percent of system peak load – single units tripping offline have potential to dramatically impact load balancing across system <ul style="list-style-type: none"> Units are required to spend significant operating hours at partial load in order to maintain reliability, resulting in heat rate inefficiencies High minimum stable loads
	Ramp Rates	<ul style="list-style-type: none"> Slow ramp rates due to age and technology utilized by most of PREPA's fleet Limited quick-start capable generators available to compensate for changes in load
	Environmental Compliance	<ul style="list-style-type: none"> Certain units are operationally limited in capacity factor in order to be compliant with Mercury & Air Toxic Standards (MATS), the U.S. Environmental Protection Agency (EPA) Consent Decree, and other environmental permits However, most units still run regardless of MATS compliance status
Cost Considerations	Operation Costs	<ul style="list-style-type: none"> PREPA-owned CCGTs on the island burn diesel, offsetting cost savings associated with lower heat rate Currently operating renewable facilities are designated “must run,” yet have some of the most expensive generation costs on the island Historic operations based on redundancy / reliability; not balanced with economic considerations
	Spinning Reserves	<ul style="list-style-type: none"> Significant amounts of spinning reserves are necessary in order to quickly react to potential unit trips / swings in system load <ul style="list-style-type: none"> Spinning reserves have high heat rates / high fuel costs

Since the start of forbearance in FY2014, PREPA made several accounting adjustments to reflect the increasingly distressed economic and financial situation at the utility and the broader government. The changes notably include revised recognition of the significant Net Pension Liability¹ and loss of cash deposits at the Government Development Bank (“GDB”).

Preliminary and subject to material change

(\$ Thousands)	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018
Revenues:						
Operating revenues	\$4,843,016	\$4,468,922	\$3,865,458	\$2,994,893	\$3,403,570	\$3,015,096
Operating expenses:						
Fuel	(\$2,603,577)	(\$2,345,000)	(\$1,887,245)	(\$1,215,312)	(\$1,213,893)	(\$1,199,944)
Purchased power	(755,686)	(807,620)	(789,717)	(687,212)	(726,381)	(533,525)
Maintenance	(218,950)	(201,994)	(270,001)	(317,061)	(152,447)	(160,915)
Other operating expenses	(910,766)	(891,278)	(1,241,641)	(1,441,281)	(825,317)	(823,034)
Total operating expenses	(\$4,488,979)	(\$4,245,892)	(\$4,188,604)	(\$3,660,866)	(\$2,918,038)	(\$2,717,418)
Operating income / (loss)	\$354,037	\$223,030	(\$323,146)	(\$665,973)	\$485,532	\$297,678
Interest income and other	26,329	21,157	44,263	44,315	0	0
Interest expense, net	(386,867)	(431,180)	(468,278)	(474,283)	(483,386)	(474,142)
Impairment loss on GDB deposits	0	0	(144,733)	0	0	0
(Loss) / Gain before CILT and capital contributions	(\$6,501)	(\$186,993)	(\$891,894)	(\$1,095,941)	\$2,146	(\$176,464)
CILT and other	(297,551)	(277,776)	(273,460)	(172,467)	(208,434)	(216,299)
Bond discount and defeasance amort.	0	0	0	0	(1,176)	(1,399)
Loss before capital contributions	(\$304,052)	(\$464,769)	(\$1,165,354)	(\$1,268,408)	(\$207,464)	(\$394,162)
Contributed capital	31,979	44,959	21,404	8,243	7,317	1,179
Change in net position	(\$272,073)	(\$419,810)	(\$1,143,950)	(\$1,260,165)	(\$200,147)	(\$392,983)
Net position at beginning of year	(\$575,122)	(\$847,195)	(\$1,267,005)	(\$3,577,901)	(\$4,838,066)	(\$5,038,213)
Change in pension accounting cost	0	0	(1,643,985)	0	0	0
Net Effect of the 2015 Restatement	0	0	477,039	0	0	0
Net position at end of year	(\$847,195)	(\$1,267,005)	(\$3,577,901)	(\$4,838,066)	(\$5,038,213)	(\$5,431,196)

Note: All years are fiscal.

¹ Revision due to a change in the valuation approach (primarily due to a revised discount rate).

PREPA's year-to-date performance against budget shows: 1) underspending on maintenance and vegetation management outsourcing, and 2) higher spending on overtime.

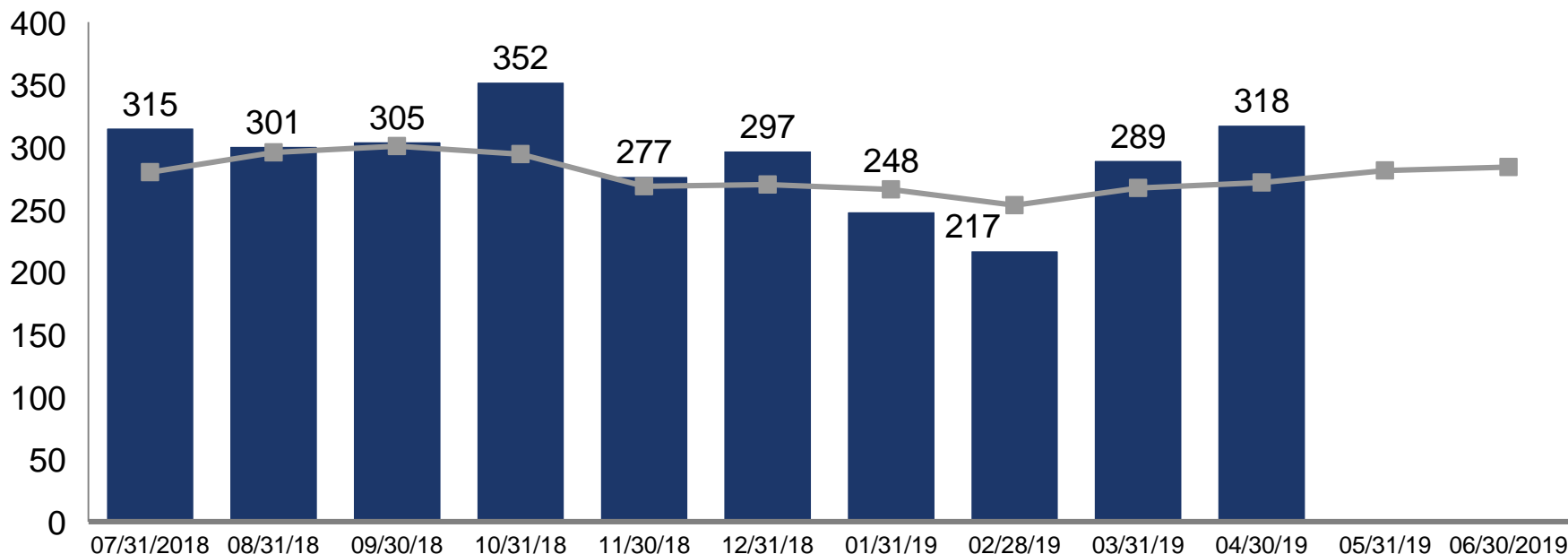
Preliminary and subject to material change

(\$ Millions)	FY2019 Budget	FY2019 YTD	FY2019 Projected
Gross Revenue	3,332	2,602	3,235
Other Income	17	84	112
Bad Debt Expense	(62)	(7)	(9)
CILT & Subsidies Reduction	(273)	(159)	(212)
Total Revenue	3,014	2,520	3,360
Operating Expenses			
Fuel	1,262	1,029	1,372
Purchased Power - Conventional	623	458	610
Purchased Power - Renewables	91	42	56
Total Fuel & Purchase Power Expense	1,977	1,528	2,038
Salaries & Wages	211	151	201
Pension & Benefits	121	87	116
Overtime Pay	30	40	54
Overtime Benefits	4	4	5
Total Labor Operating Expense	366	283	377
Total Non-Labor Expense	414	193	258
Total Maintenance Expense	226	86	115
Total Operating & Maintenance Expenses	2,982	2,091	2,787
BALANCE	32	429	339

Actual FY2019 consolidated revenues through March 2019 are in line with the FY2019 budget

Gross Revenues by Month¹

\$ Millions

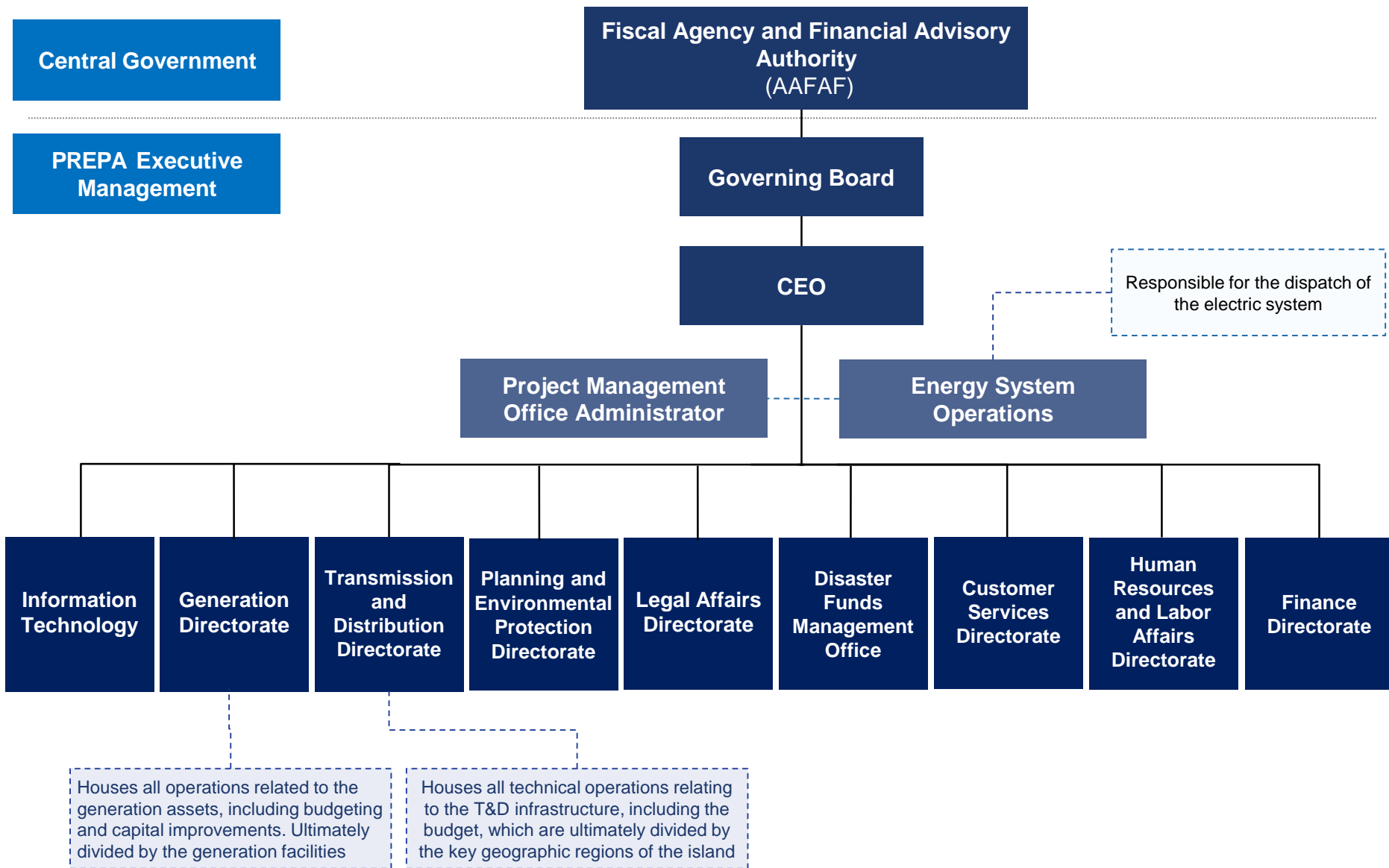


Key takeaways:

During the first three quarters of FY2019, PREPA had achieved gross revenues¹ approximately 5% above the projected budget. Likewise, total consolidated revenue¹ are higher by approximately 12% when compared to the projected budget.

¹ Gross revenues include revenues collected from ratepayers for consumption, whereas consolidated revenues includes revenues collected from ratepayers for consumption, revenue for other income sources, and also other adjustments (bad debt expense, CILT and subsidies, etc.)

IV. Governance and Implementation



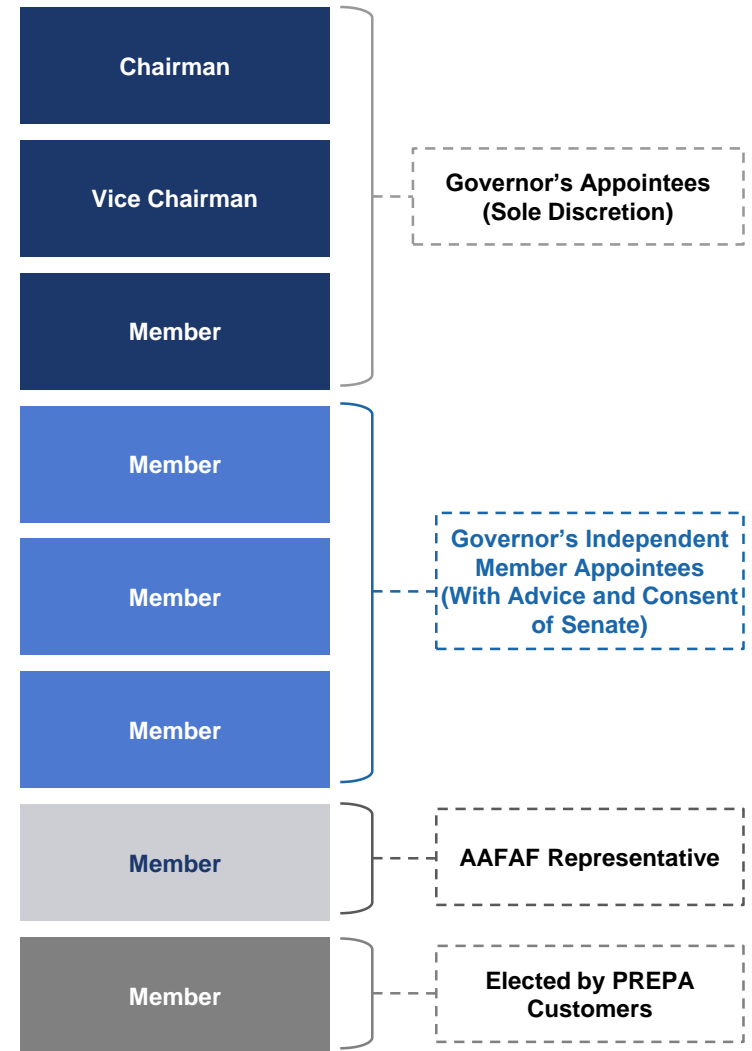
Note: Does not reflect the full suite of functions that exists beneath the CEO.

Board Composition

- The Governing Board consists of eight members which elect one member to act as chairman:
 - The Executive Director (ED) of AAFAF who has a board seat per Act 2-2017 on any covered government territorial instrumentality
 - Three members appointed at the sole discretion of the Governor
 - Three independent members appointed by the Governor of Puerto Rico with advice and consent of the Puerto Rico Senate; independent members were selected on December 21, 2019, from a list of highly qualified candidates provided by a third party executive staffing firm
 - One member elected by customers as representative of customer interests

Current Focuses Include:

- Reconstruction and resiliency of the electrical grid
- Supporting privatization efforts of the utility
- Securing federal funding for emergency and permanent works
- Enhancing internal resource capabilities and business processes
- Transformation Plan for Puerto Rico's Energy Sector



¹ Certified on March 12, 2019, by the Consumer Affairs Department as the Consumer Interest Representative

Transformation elements

Operational transformation	August 1: 2018 , FOMB certified the new Fiscal Plan for PREPA, advancing multiple implementation projects related to operational efficiencies and savings initiatives; the Government and PREPA are concurrently transforming the Puerto Rico energy sector and seeking private investment and operational expertise
Fiscal sustainability	May 3: 2019 , AAFAF, PREPA and the FOMB reached a Definitive RSA and term sheet with the Ad Hoc Group of PREPA bondholders and Assured Guaranty, pertaining to the legacy of PREPA debt
Regulatory framework	April 11: 2019 , Governor signed Act 17-2019, known as the Energy Policy Act, establishing a regulatory framework from Puerto Rico's energy sector and setting the way for the transformation of Puerto Rico's energy sector
Privatization	<p>March 6: 2018, the Private-Public Partnership (P3) Act Amendment was introduced to the Legislative Assembly of Puerto Rico as part of the Puerto Rico Electric System Transformation Act, which provides the legal authority for the sale or transfer of PREPA generation assets</p> <p>June 20: 2018, the Governor signed Act 120-2018, which authorizes long term partnership agreements for generation and T&D assets</p> <p>February 1: 2019, the request for proposals process (RFP) commenced for PREPA T&D, releasing documentation to qualified participants</p>
Grid planning	<p>May 27 2014: Act 57-2014 was approved which requires PREPA to remain in compliance with the IRP subject to PREB supervision; Siemens has been engaged by PREPA to develop a systemwide IRP which serves as the framework for future grid modernization initiatives</p> <p>February 1, 2019: COR3 and PREPA submitted the Electric Grid Modernization (EGM) for final review by the COR3 executive leadership team and ultimate submittal to the Governor of Puerto Rico</p>

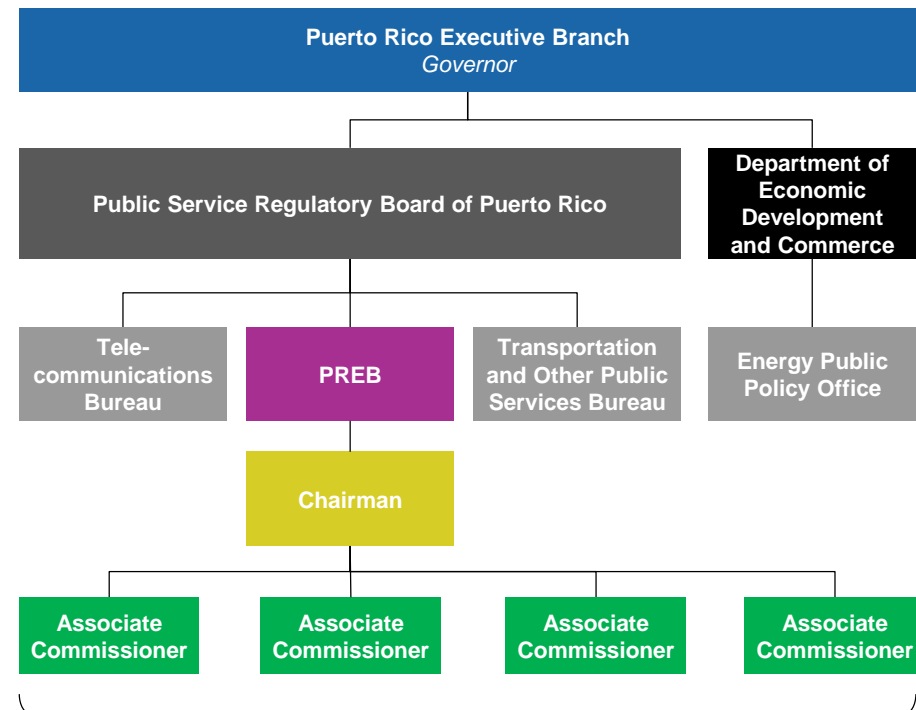
V. Regulatory Structure and Key Legislation

Overview of Regulatory Structure and Key Legislation

Key Legislation

- The “Puerto Rico Electrical Transformation Act” (Act 120-2018) and the “Act for the Implementation of the Puerto Rico Public Service Regulatory Board Reorganization Plan” (Act 211-2018) include provisions regarding the restructuring of the regulatory framework to better align with the Government’s goals for the transformation of the energy sector. These were refined, expanded, and codified in the “Puerto Rico Energy Public Policy Act” (Act 17-2019), which was signed into law on April 11, 2019
- The Acts address the organization of PREB, establish qualifications requirements for commissioners, and confirm the PREB’s jurisdiction with respect to the electric sector transformation process
 - Any transaction carried out as part of the transformation process will require the PREB’s issuance of an Energy Compliance Certificate
- PREB is composed of five commissioners and makes decisions with the approval of a majority
 - Final decisions are subject to review by the Court of Appeals of Puerto Rico, except when a U.S. Federal law confers jurisdiction elsewhere
 - Although administratively located within the PSRB, PREB enjoys financial and substantive independence
- As mandated by Act 120-2018, a working group composed of industry experts and stakeholder associations, working under the oversight of the Puerto Rico Legislature, developed and submitted a proposed regulatory framework
 - The Southern States Energy Board and the U.S. DOE actively engaged in advising the working group on the structure of the proposed regulatory framework
 - This advice greatly informed the drafting and enactment of Act 17-2019

Regulatory Structure



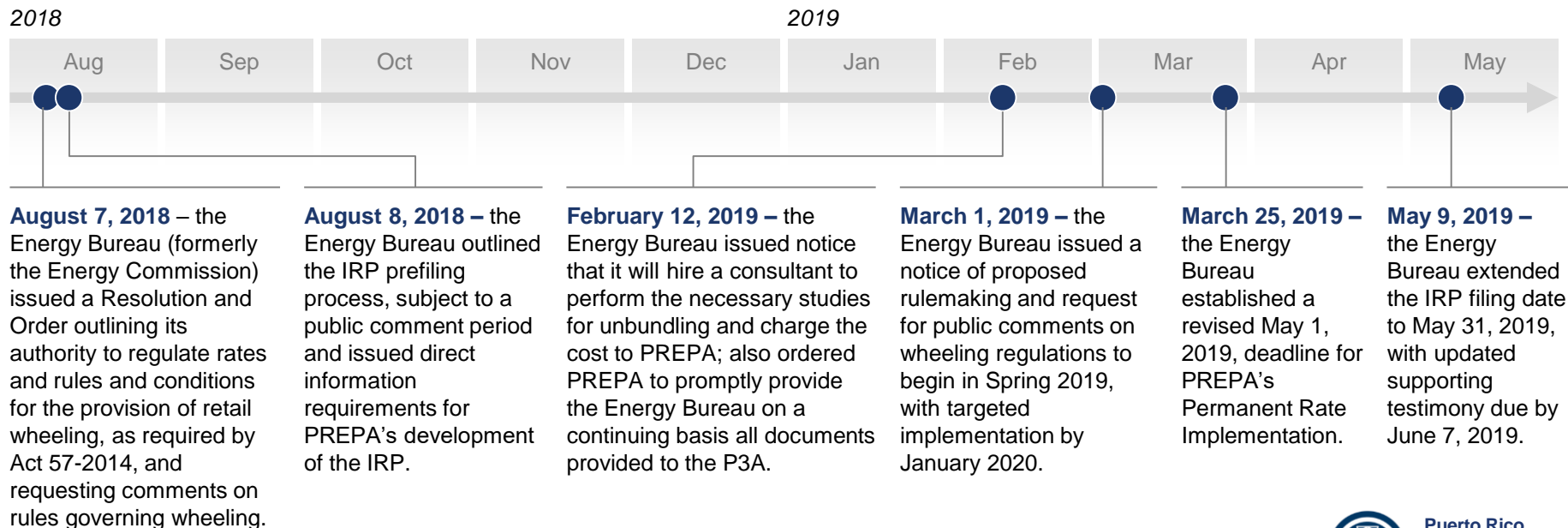
- Commissioners are appointed by the Governor with the advice and consent of the Senate
- Commissioners will serve staggered terms of six years each and can only be removed for just cause
- Commissioners must meet certain requirements relating to professional education and experience in order to hold position

Acts 120-2018 (the Puerto Rico Electric System Transformation Act) and 211-2018 (the Implementation of the Puerto Rico Public Service Regulatory Board Reorganization Plan Act) establish the legal framework for PREPA's transformation, granting the Energy Bureau the authority to approve any transformation-related agreements. Under Act 57-2014 (the Puerto Rico Transformation and RELIEF Act), PREPA, or any successor entity, is required to comply with the Integrated Resource Plan (IRP), subject to the supervision of the Energy Bureau

The Energy Bureau's powers, duties, and responsibilities include:

- Overseeing and ensuring implementation of public policy on electric power service
- Establishing and implementing regulations to guarantee the capacity, reliability, safety, efficiency, and reasonableness of electric rates
- Overseeing the quality and reliability of the electric system
- Reviewing and approving the rates charged by PREPA or any successor entity
- Ensuring that obligations to bondholders are met
- Reviewing, approving, and enforcing policies related to energy resource planning
- Overseeing environmental compliance

Key Energy Bureau Actions



Act 17-2019 establishes a comprehensive energy policy which is intended to change the electric sector in the following ways:

1. Requires unbundling of the electric system via sales of PREPA generation and transfer of control of T&D by concession or O&M agreement; prohibits vertical integration and limits concentration
2. Requires accommodation of renewable energy, distributed generation, and microgrids
3. Strongly promotes renewable energy resources
 - Renewable energy portfolio standards (i.e., 40% by 2025, up from 20%)
 - Faster permitting for renewable projects
 - Elimination of coal by January 1, 2028
4. Updates factors for PREB to consider in rate setting
5. Confirms PREB's role as an independent, apolitical regulator and expands its authority to:
 - Establish mechanisms for imposing incentives/penalties
 - Exercise high degree of scrutiny over maintenance of electric network and to require reports
 - Use alternative mechanisms to tariff regulation based on service costs
 - Establish an annual budget of \$20 million not subject to Executive or Legislative approval
6. Establishes new procedures for emergency rates

PREB standards for enforcing rate mechanics:

1. Amendments to rates require PREB approval
 - Procedure/requirements per PREB's 2016 regulations
 - Approved rate remains in effect for three years except in case of periodic adjustments
2. Rate setting standard under Act 17-2019: Rates for electric service must be:
 - Prudent and reasonable
 - Consistent with accurate fiscal and operating practices
 - Provide for reliable service at the lowest possible cost
3. Rate setting standard under the PREPA Fiscal Plan: Rates for electric service must provide for:
 - Recovery of prudent operating and supply costs
 - Return of/on cost of new investment
 - Potential return on value of other assets and recovery of unrecovered investment costs at the end of the T&D concession (or O&M agreement), linked to investment obligation
 - Potential performance-based incentives

Microgrids

1. Promoted by the Energy Policy Act (Act 17-2019)
 - Enhance system resiliency
 - Speed up service restoration
 - Reduce dependence on centralized generation
2. Existing 2018 Regulation categorizes microgrids, establishes technical requirements, requirements for cooperative and third party microgrids and procedures for registration
3. Energy Policy Act (Act 17-2019)
 - Guarantees interconnection
 - Provides for expedited procedures for interconnection of small (<5 MW) microgrids and for development of procedures to govern establishment of larger (>5 MW) microgrids
 - Establishes fines for non-compliance

Net metering

1. Promoted by the Energy Policy Act (Act 17-2019)
2. Existing Net Metering Program requires interconnection and net metering with customers using renewables
3. Energy Policy Act (Act 17-2019)
 - Requires 5-year study into net metering and distributed generation, with transitional rate and grandfathering for existing net metering customers
 - Prohibits T&D contractor from charging additional fees or increasing consumption for net metering customers
 - Establishes right of net metering customers to receive a credit for each kWh supplied to the network, at rates as authorized by the Energy Bureau
 - Grandfathers rates or compensation mechanisms for certain net metering customers

Energy storage

1. Promoted by Energy Policy Act (Act 17-2019), but no specific regulatory framework as yet
2. Energy Policy Act (Act 17-2019) requires Energy Bureau to:
 - Study energy storage by end of 2019
 - Eventually pass regulations to set specific minimum storage goals
 - Set a compliance calendar

Key T&D permits

1. Energy Compliance Certificate
 - Issued by Energy Bureau w/in 30 days of presentation of T&D contract
2. Electric Power Company Certification
 - T&D operator to file application with Energy Bureau w/in 90 days after T&D contract is executed
3. Approval is automatic
 - Other corporate, tax, operational and labor filings, other local permitting requirements

Invoice requirements

1. PREPA must design a detailed form of customer invoice, subject to the Energy Bureau's approval
2. The Energy Bureau is to approve certain cost categories, including fuel purchase and energy purchase, in order for them to be included in invoices
3. 2014 Transformation Act sets out detailed granular requirements for customer invoices, which will apply to a T&D contractor which succeeds to PREPA's invoicing duties
4. Proposed Regulation for Wheeling proposes further unbundling of rates/charges (see next page)

Contributions in lieu of taxes (CILT)

1. Electric service companies to make CILT to municipalities, which can be recovered
2. Complex system with caps per municipality, mechanisms for sharing cost savings, etc.
3. Energy Policy Act requires Energy Bureau to study the CILT program to evaluate effectiveness and present results to legislative assembly by end of 2019 (see detailed discussion in following pages)

Renewable energy portfolio standards

1. Encourage diversified energy sources and technology
2. 40% compliant renewables by 2025, 60% by 2040, 100% by 2050
3. Energy Bureau to establish a market for renewable energy certificates
4. Energy Bureau to impose “reasonable corrective action plans” and fines
5. T&D contractor to commit to make necessary capital investments to modernize the grid and allow REPS compliance\

Draft regulation on wheeling

1. Proposes new industry structure to introduce competition among generators to provide services directly to customers (initially industrials and large commercial customers)
2. Key industry participants
 - Energy Service Companies
 - Default Service Provider
 - T&D Provider
 - System Operator
- Unbundling of PREPA costs (including non-bypassable costs)
- On February 8, 2019, the Energy Bureau announced its intention to retain a consultant to perform unbundling studies that will support the implementation of wheeling and has directed PREPA to cooperate with the identified consultant

The Government of Puerto Rico has made significant changes in the treatment of the Contribution in Lieu of Taxes (CILT) by enacting Act 57-2014 and Act 4-2016

Pending Actions:

- Moving all of the municipal public lighting to the subsidies rider in the customer bill
- Removal of all municipal for-profit entities from eligibility to receive an electric service credit from the CILT
- Establishing a total consumption (kWh) cap on the municipal CILT, which will also be reduced by 15% (in three fiscal years, 5% each)
- Providing that the municipality will pay for any excess, plus rates for service to the for-profit ventures
- Establishing a mechanism that promotes energy efficiency and additional savings above the mandated total consumption cap imposed on municipalities by Act 57-2014 (i.e., 5% yearly reduction in the maximum consumption amount for a total 15% reduction over three years); municipalities would receive a payment from PREPA for the value of the difference between the mandatory total consumption cap and actual consumption, which would only be payable if all municipalities, in the aggregate, comply with their respective consumption caps



Under the new rate structure, PREPA will recover the cost of CILT via the CILT and subsidies rider on customer bills. Customers will have greater transparency and there will be greater accountability. Any additional reductions or amendments would require legislation

Payments from municipalities on their consumption in excess of their consumption caps, as well as collection of outstanding receivables for consumption in excess of municipal caps, is a potential source of additional revenues for PREPA

VI. Baseline Financial Projections and Assumptions

FY2020 Financial Projections

FY2020 projected expenses include improvements in generation dispatch and lower-cost fuel utilization, increases to headcount in key areas, and execution on critical maintenance projects and outsourced services initiatives such as vegetation management and call center support.

Preliminary and subject to material change

(\$ Millions)	FY2019 Budget	FY2019 YTD	FY2019 Projected ¹	FY2020 Projected ⁴
Gross Revenue	3,332	2,602	3,235²	3,350
Other Income	17	84	112 ³	10
Bad Debt Expense	(62)	(7)	(9)	(62)
CILT & Subsidies Reduction	(273)	(159)	(212)	(297)
Total Revenue	3,014	2,520	3,360	3,001
Operating Expenses				
Fuel	1,262	1,029	1,372	1,140
Purchased Power - Conventional	623	458	610	671
Purchased Power - Renewables	91	42	56	86
Total Fuel & Purchase Power Expense	1,977	1,528	2,038	1,897
Salaries & Wages	211	151	201	214
Pension & Benefits	121	87	116	128
Overtime Pay	30	40	54	55
Overtime Benefits	4	4	5	6
Total Labor Operating Expense	366	283	377	404
Total Non-Labor Expense	414	193	258	474
Total Maintenance Expense	226	86	115	223
Total Operating & Maintenance Expenses	2,982	2,091	2,787	2,999
BALANCE	32	429	339	3

¹ FY2019 Projected calculated based on actuals from June 2018-March 2019; full year values extrapolated based on 9-month actual spend.

² Large variance primarily due to recovery of an impairment loss with the Government Development Bank

³ Revenue forecasted assumes Fuel & Purchase Power expense are balanced as a passthrough cost within the fiscal year (no over or under collection)

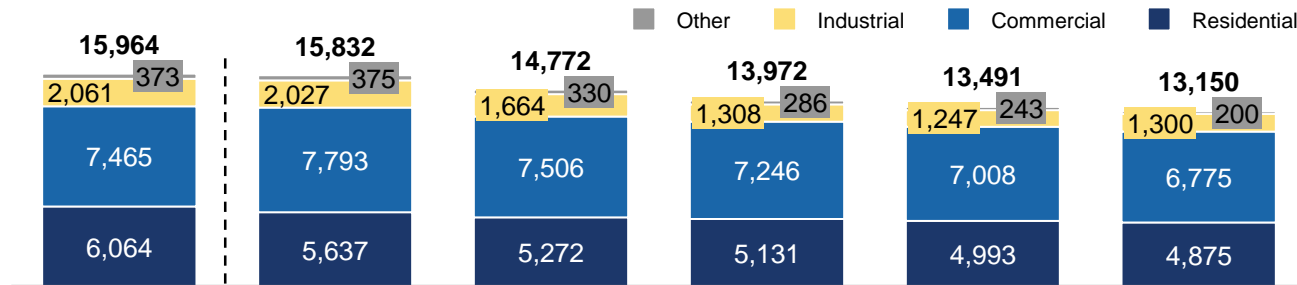
⁴ FY2020 Projected values are preliminary. Final amounts will be reflected in the FY2020 Certified Budget

Overview of Forecasted Revenue

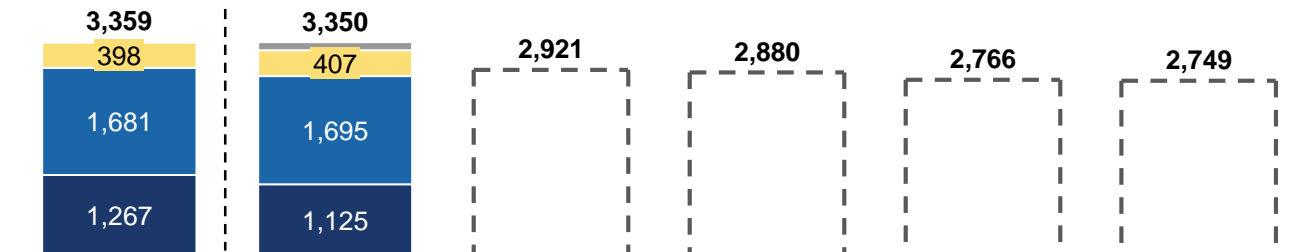
Case:17-03283-LTS Doc#:8368-2 Filed:08/02/19 Entered:08/02/19 18:11:59 Desc: Exhibit B Page 55 of 125

Forecast

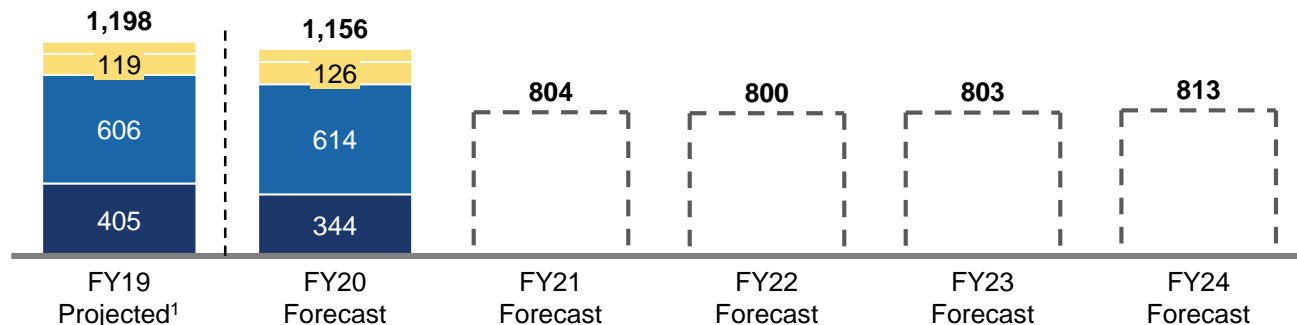
Electricity Consumption by Class (GWh)



Total Revenue by Class (\$M)



Base Revenue by Class (Excludes Fuel and Purchase Power, CILT and Subsidies Pass-Through) (\$M)



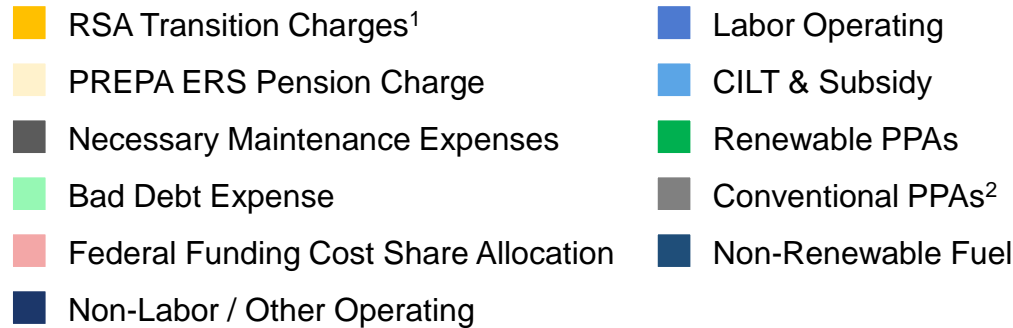
Key takeaways

- Residential and commercial segments represent PREPA's largest customer and revenue base
- Sales are anticipated to decline annually at a CAGR of -4.5% from FY2020 through FY2024, driven by declining population and weak macroeconomic activity
- FY2020 revenues from electricity sales, based on currently approved PREB rates, are expected to be \$3,350M
- Actual FY2021-2024 revenue split by customer class will be dependent on future revisions to rate design and structure approved by PREB

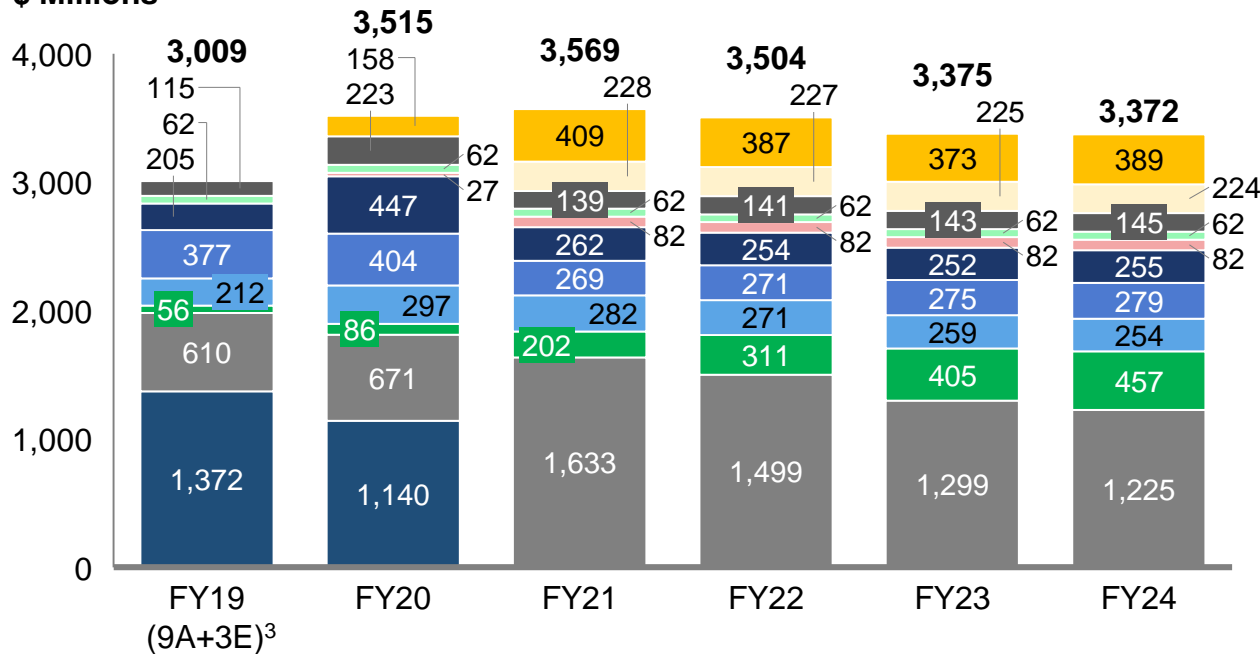
¹ Based on PREPA monthly reports as of March 2019. Full year values extrapolated based on nine month actuals

Overview of Forecasted Expenses

Case:17-03283-LTS Doc#:8368-2 Filed:08/02/19 Entered:08/02/19 18:11:59 Desc: Exhibit B Page 56 of 125



\$ Millions



Notes

1 1 c/kWh Settlement Charge in FY2020 as per the RSA

2 Assumes PREPA generation assets (GenCo) contract with the entity operating the non-generation assets (GridCo); costs for GenCo included under Conventional PPAs starting FY2021

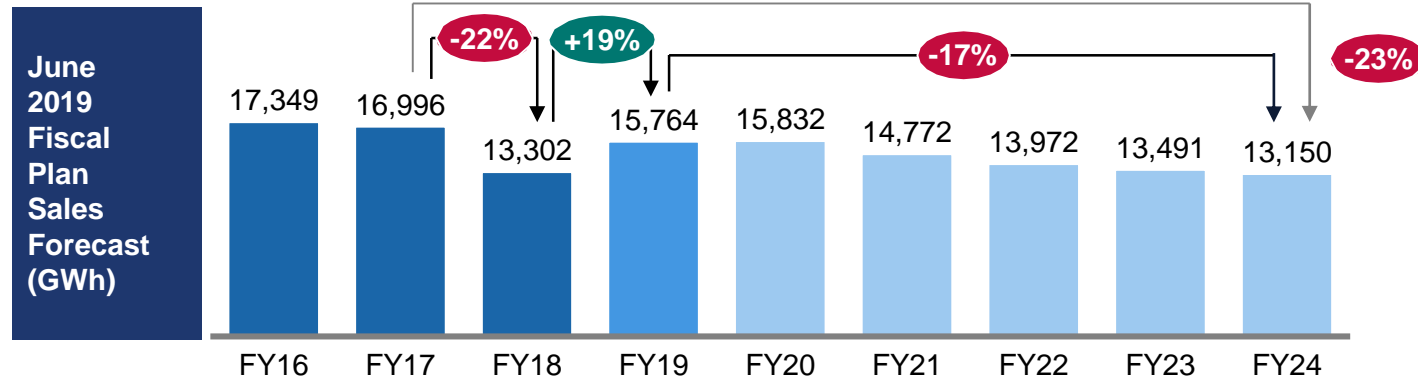
3 Nine-month actual spend extrapolated to calculate full year estimates. May not include charges that occur only towards the end of the year

Key takeaways

- FY2020 expenses are projected to be higher than FY2019 expected primarily for following reasons:
 - Higher spend in Necessary Maintenance Expenses (NME): PREPA has underspent in FY2019 by roughly half of what was budgeted. Such underspending leads to poor reliability and service quality. **PREPA will aim to prioritize NME and fully spend the allocated spend from FY2020 onwards, which will aim to improve the system and service to customers**
 - New costs: allocation of federal cost-share, and legacy debt and PREPA ERS pension charges
 - Timing of certain expenses that will occur in FY2019-end, but are not captured here due to the extrapolation based on first 9 months spend

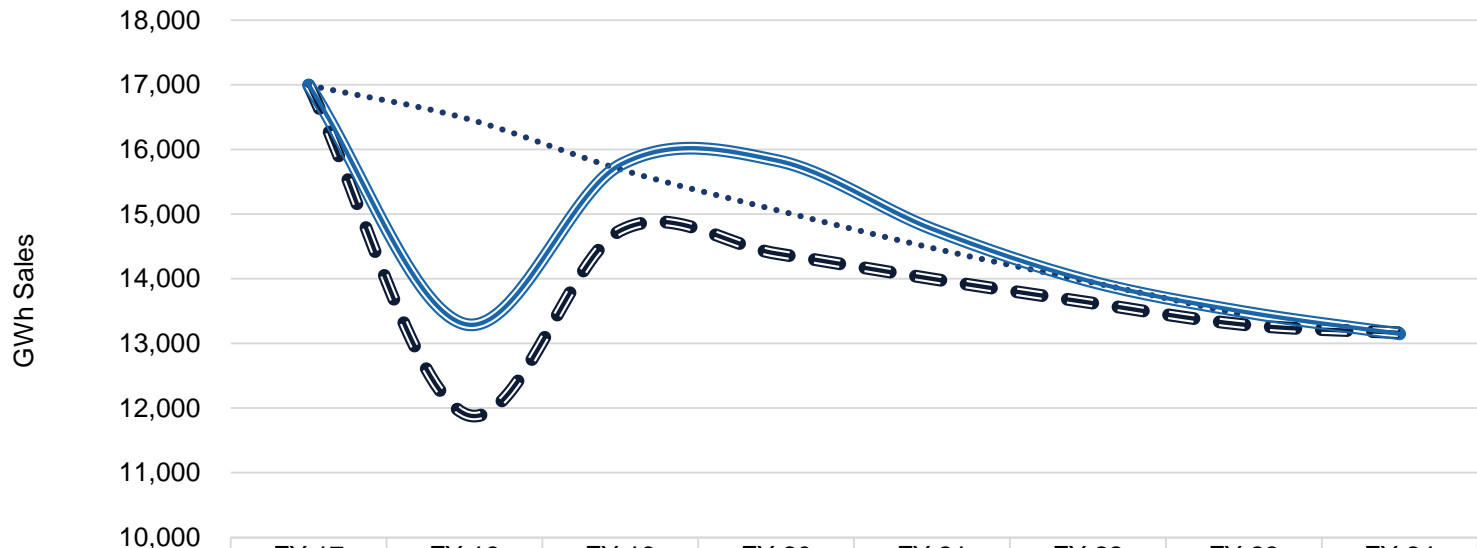
VII. Revenue

■ Actuals ■ Estimate ■ Forecasts



Post-storm sales have recovered substantially but expectations from various stakeholders and industry experts, including PREB and IRP advisors, project longer term declines in utility sales due primarily to impacts from secular trends in DG & EE.

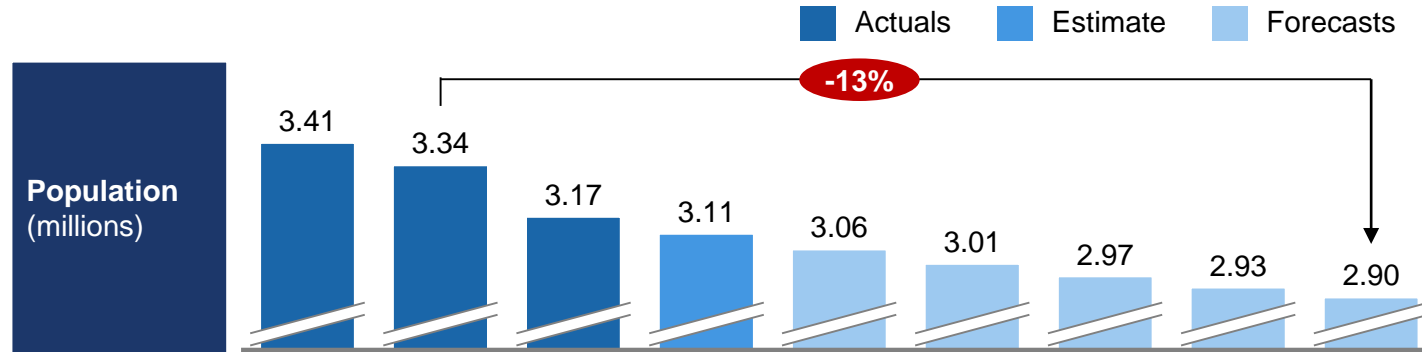
SALES FORECASTS, COMPARED WITH PRIOR FISCAL PLANS



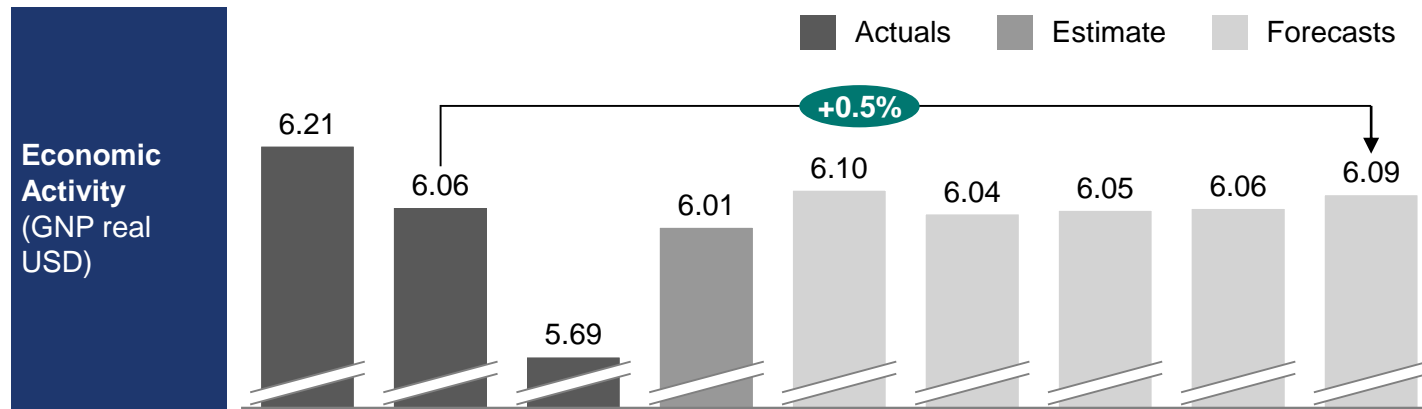
	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24
•••April 2017 Fiscal Plan	16,996	16,489	15,693	15,064	14,476	13,957	13,438	
▬Aug 2018 Fiscal Plan	16,996	11,910	14,746	14,391	13,998	13,635	13,290	13,164
▬June 2019 Fiscal Plan	16,996	13,302	15,764	15,832	14,772	13,972	13,491	13,150

Overview of General Revenue Drivers and Assumptions

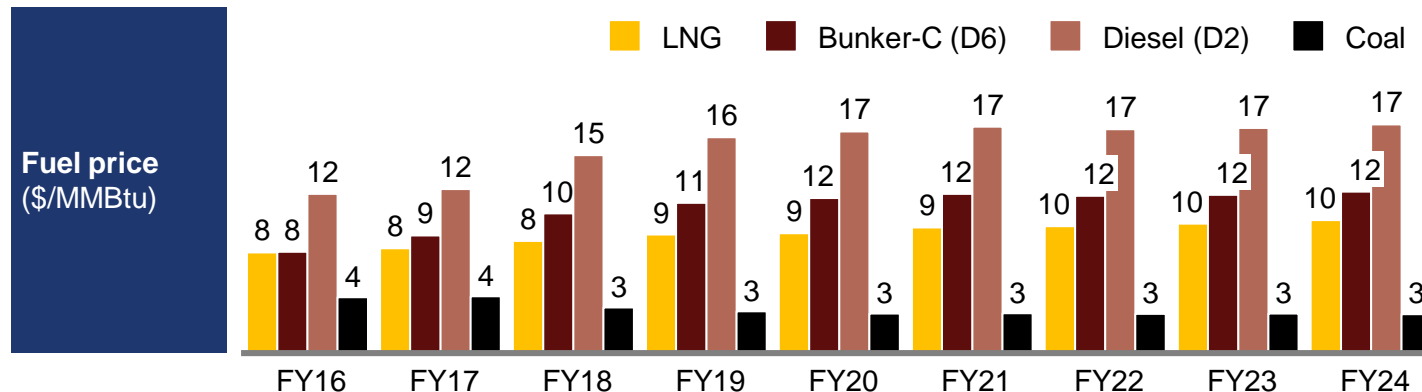
Input	Assumptions (discussion to follow)
Macroeconomic	Revised macroeconomic projections are developed by FOMB and certified in the May 9, 2019 Fiscal Plan for the Commonwealth of Puerto Rico, which include the combined effects of austerity, population decline, natural disaster recovery, and federal funding across all sectors of the island economy.
Energy Efficiency (EE) and Distributed Generation (DG)	Projections are based on the PREB mandated input of 2% annual incremental energy efficiency improvement starting in FY2021 and increased deployment of distributed generation (i.e., rooftop solar and combined heat and power generation).
Rates	PREB-approved permanent rate was implemented on May 1, 2019, and is in place for FY2020. Rates are presented two ways herein: 1) consistent with current rates, and 2) adjusting annually after FY2020 to meet projected revenue requirement.
Input	General Assumptions
Transformation	The Fiscal Plan financial projections assume that a T&D operator is in place by the end of FY2020.
Fuel & Purchased Power	Projections are based on the IRP prepared by PREPA and Siemens, including fuel price forecasts for natural gas at the Henry Hub, crude oil (West Texas Intermediate, "WTI"), oil-derivate products of diesel (No. 2 fuel oil), and residual fuel oil (No. 6 fuel oil with 0.5% sulfur). The Henry Hub benchmark is located in Erath, LA while the WTI benchmark is located in Cushing, OK. The diesel and residual fuel oil forecasts are based on New York Harbor pricing (per the contract terms for Costa Sur).
Ongoing Maintenance	Minimum maintenance expenditure requirements are included to keep the system operational. However, PREPA is expected to continue to require additional funds above historical average annual expenditure to repair the system and improve reliability to acceptable levels. Federal funding is assumed to be available to cover a substantial amount of capital required for system rebuild and maintenance.
Renewables / MATS Compliance	Steam generating units subject to MATS will be phased out and retired over the forecast period, replaced with new renewable and dual-fuel simple and combined cycle capacity per the IRP action plan.
Liquidity and Operations	No incremental external funding requirements or liquidity concerns are expected for FY2020, unless new near-term requirements develop. FY2021 and beyond will require adjustments to rate design and structure, including rate unbundling to account for desegregation of T&D and generation functions. Overall rates will also require periodic adjustments to incorporate latest trends in demand and cost of service to ensure rates appropriately reflect system costs.
Restoration / Rebuild Funding	Timing of potential expenditure and disbursement are still uncertain and are not included in the financial projections. Puerto Rico is requesting a cost-share adjustment for future FEMA program amounts under the Stafford Act, but potentially requires 10% cost-share match from PREPA. Puerto Rico secured Community Development Block Grant-Disaster Recovery (CDBG-DR) funding to cover Stafford Act cost-share match requirements. The projections in this Fiscal Plan also budget half of the required cost-share (5%) as part of PREPA's expenses, should the full CDBG-DR funding not materialize.



- The central government population forecast projects accelerated population decline due to the combined effects of economic depression and natural disaster impacts.



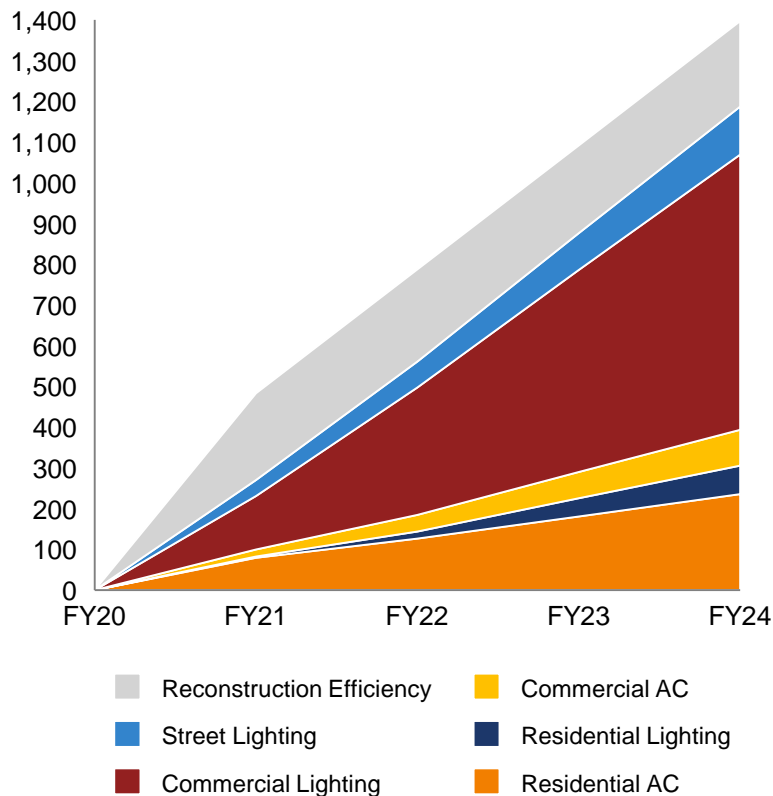
- Rebound in economic activity is driven principally by federal funding for restoration, which creates short-term employment opportunities but does not stop the net migration from the island



- Fuel prices are projected to remain roughly level over the forecast period, but due to moderate recent increases, fuel prices are expected to be well above recent historic lows seen in Fiscal Years 2016 and 2017

- PREPA is required under Act 57-2014 to adopt energy efficiency provisions, as defined by regulations approved by PREB (Regulation 9021), which facilitate 60% of electricity generated from fossil fuels to be generated in a highly efficient manner.
- The load forecast included in this fiscal plan assumes that PREPA meets Regulation 9021, which requires **2% per year** increment savings attributed to new efficiency programs for 10 years, to be carried out by the following EE programs:

Baseline Annual EE Savings by Measure
Energy Savings (GWh/year)



EE Program	Description	Assumption	Est. Cost Effectiveness Range (TRC ¹)
<i>Residential A/C</i>	Incentivizes higher efficiency A/C systems in homes	Participation rates, energy savings, and program costs are based on comparable programs	3 – 5
<i>Residential Lighting</i>	Provides free LEDs to residential customers	Participation rates increase to 2.5% annually	4 – 6
<i>Commercial A/C</i>	Incentivizes high efficiency A/C systems in commercial buildings	A baseline average commercial A/C size is accurately assessed	1 – 2
<i>Commercial Lighting</i>	Incentivizes high efficiency lighting in commercial buildings	Annual kWh savings per participant is accurately assessed based on comparable programs	3 – 4
<i>Public Street Lighting</i>	Full conversion to LED lamps	Public funding is available to support this program	n/a
<i>Residential Rebuilding Efficiency</i>	Post-hurricane reconstruction with high efficiency cooling, lighting and appliances	Public funding is available to support this program	n/a

1: Total Resource Cost (TRC) test. The TRC is calculated as the present value of the avoided energy cost (energy savings x average rate) to the present value of the program costs. The present value was determined using a discount rate of 8.5% and 25 c/kWh. This rate is expected to decline and will be reassessed once the IRP is complete.

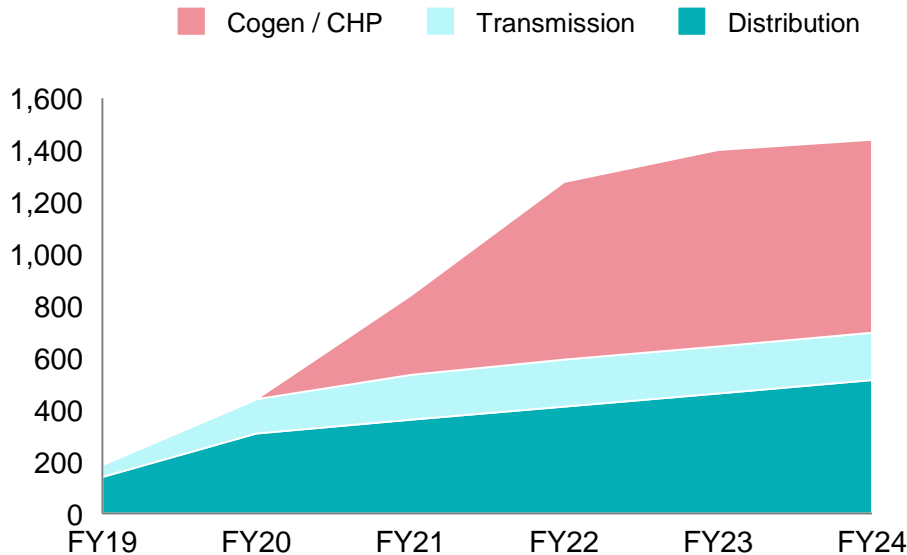
Source: Siemens, 2019 Integrated Resources Plan - Appendix 4 (forecast adjusted to account for program delays)

Overview of Distributed Generation (DG) Assumptions

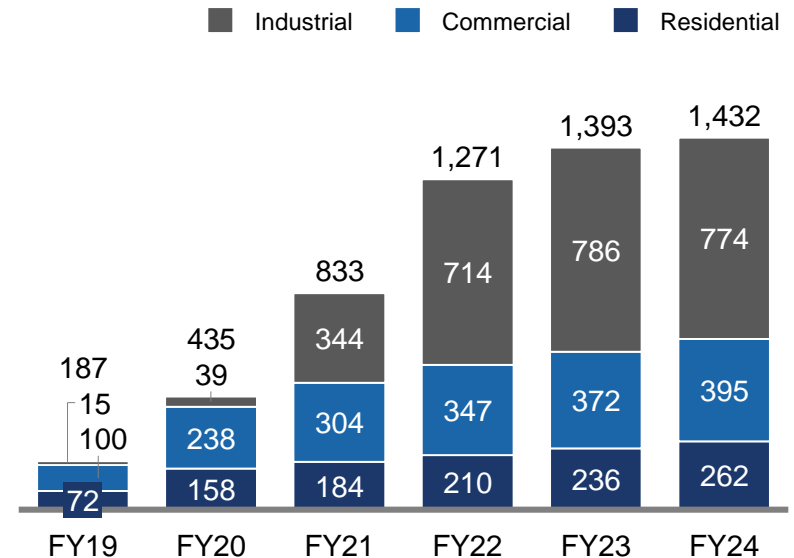
Based on analysis provided by Siemens in the IRP, the levelized cost of grid defection is higher than the cost of generation delivered to the customer, including the effect of losses until 2028 (when AES Coal retires). After 2028, grid defection cost is significantly lower than the total rate even before applying the non-bypassable transition charge component. This confirms the assumption in the DG forecast that the continuance of 'net-metering' rates will occur, and the customer side roof top PV adoptions will continue to be in line with the adoption rates observed to date.

Distributed Generation (GWh)

By type



By customer class



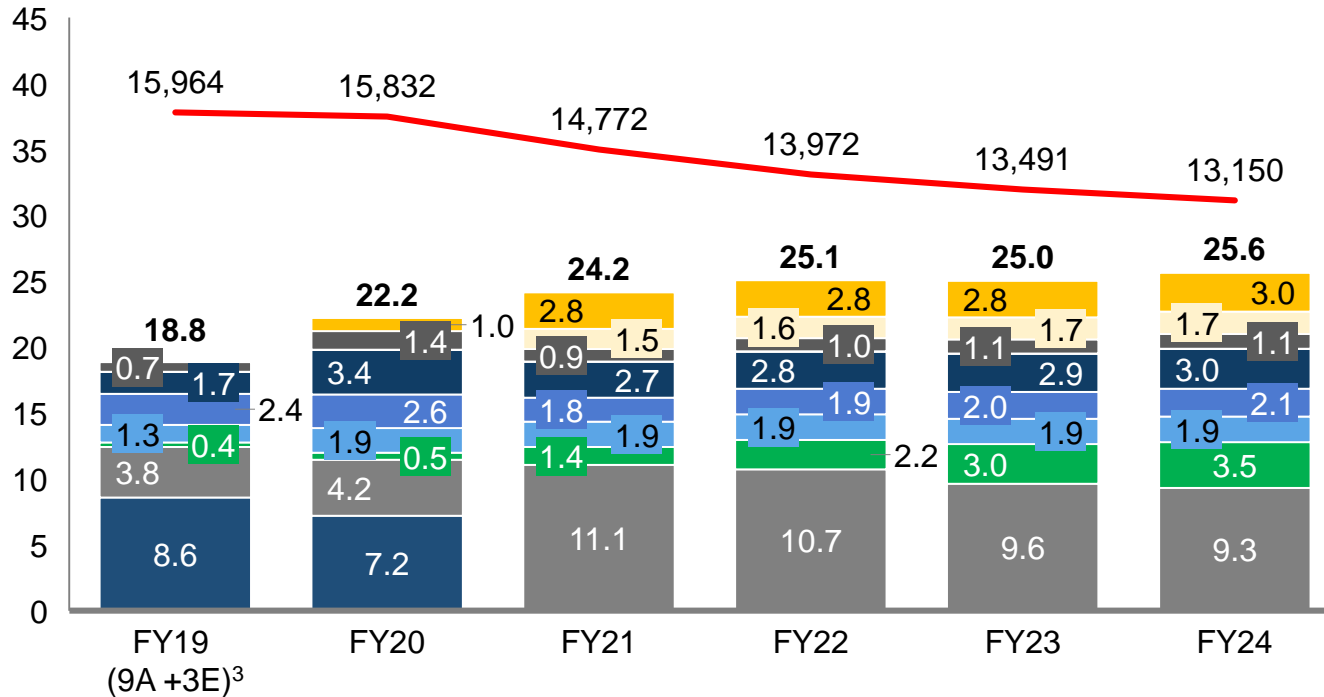
The Fiscal Plan assumes that DG will continue to rise due to customer perceptions on the need to control supply and the decreasing cost of DG technologies. As the transformation process advances, this trend is likely to continue, in parallel with distribution of the load, despite projected decreasing generation costs.

Overview of Revenue Requirement Rates

Case:17-03283-LTS Doc#:8368-2 Filed:08/02/19 Entered:08/02/19 18:11:59 Desc: Exhibit B Page 63 of 125

- Utility sales actual/Forecast (GWh)
- RSA Transition Charges¹
- PREPA ERS Pension Transition Charges
- Necessary Maintenance Expenses
- Bad debt expense⁴
- Federal Funding Cost Share Allocation⁴
- Non-Labor/Other operating
- Labor operating
- CILT & subsidy
- Renewable PPAs
- Conventional PPAs²
- Fuel costs

Revenue requirement rates⁵ (c/kWh)



Key takeaways

- Rates in FY2020 are higher than rates in FY2019 due to underspending by PREPA in FY2019 and FY2020 including RSA charge
- PREPA has underspent in maintenance expenses in FY2019, which could lead to poor reliability and service quality. **PREPA will aim to prioritize maintenance spending from FY2020 onwards**
- New costs: allocation of federal cost-share, legacy debt and PREPA pension charges
- Successful implementation of operational measures, as well as timely roll out of renewables and natural gas generation provides greatest opportunities for cost reductions

1 1 c/kWh Settlement Charge in FY2020 as per the PREPA Definitive RSA; RSA Transition Charge rate shown represents system average rates across the entire customer base. Since some customers are subsidized and therefore exempt from the charge, actual charges on bills of unsubsidized customer may be higher

2 Assumes PREPA generation assets (GenCo) contract with the entity operating the non-generation assets (GridCo); costs for GenCo included under Conventional PPAs starting FY2021

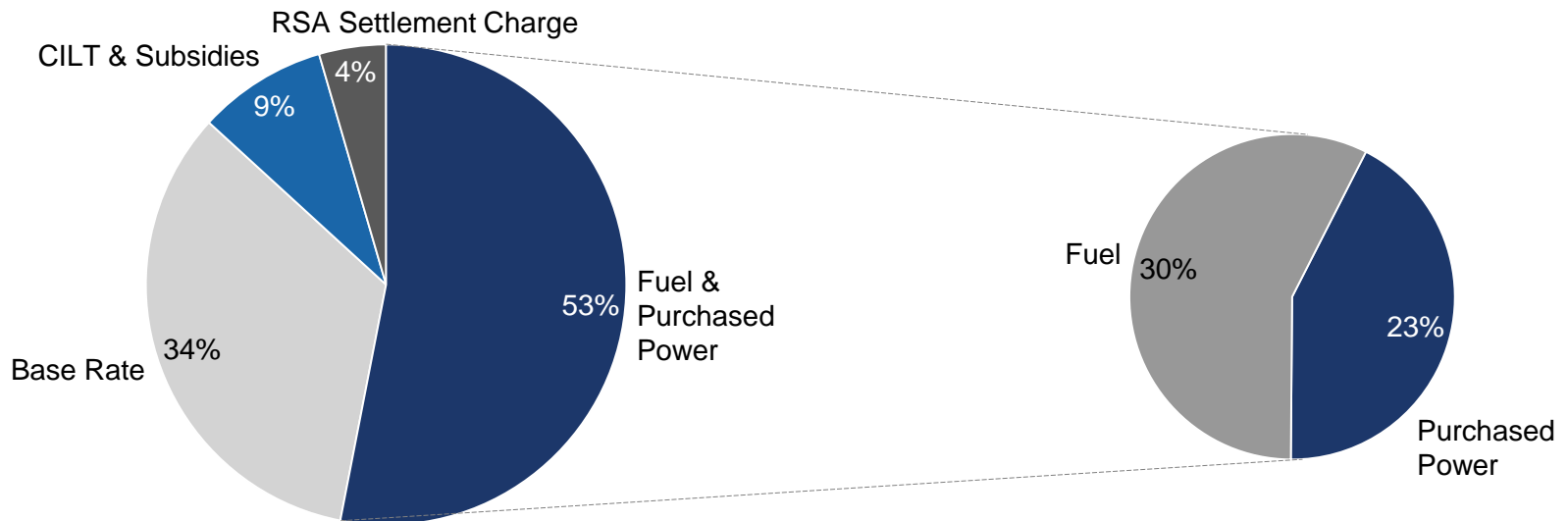
3 Nine-month actual spend extrapolated to calculate full year estimates. May not include charges that occur only towards the end of the year

4 Values not shown due to small magnitude

5 Projections do not assume compensation to new T&D operator

Figures in c/kWh ¹	Residential	Commercial	Industrial	Overall
Base Rate Revenue	6.2	7.9	7.1	7.5
CILT & Subsidies Rider Revenue	2.0	1.8	1.2	1.9
Fuel & Purchased Power Revenue	12.3	12.3	12.3	12.3
RSA Settlement Charge ²	1.0	1.0	1.0	1.0
Total Revenue	21.4	23.0	22.8	22.1
Average Client Bill per Month	\$64.17	\$1,120	\$45,369	\$176
Share of Revenues (%)	34%	53%	11%	

- PREPA's current rate structure is composed of three primary components – Base Rate, Fuel Adjustment and Purchased Power Adjustment Charges, and CILT & Subsidy rate riders. A fourth component includes RSA settlement charges
- Three primary categories of customers make up 98% of PREPA's revenue from electricity sales: Commercial (53%), Residential (34%) and Industrial (11%)¹
- PREB approved a permanent rate structure in FY2017 and implemented it in FY2019. The PREB rate eliminated the 11% gross-up of fuel and purchased power adjustment charges, and created direct cost recovery / pass through rate riders in customer's bills to cover CILT and subsidies
- As a new O&M operator comes into place, the rate structure may potentially need to be revised from time to time to reflect changes in operating cost structure as well as incorporate developing trends in rate design

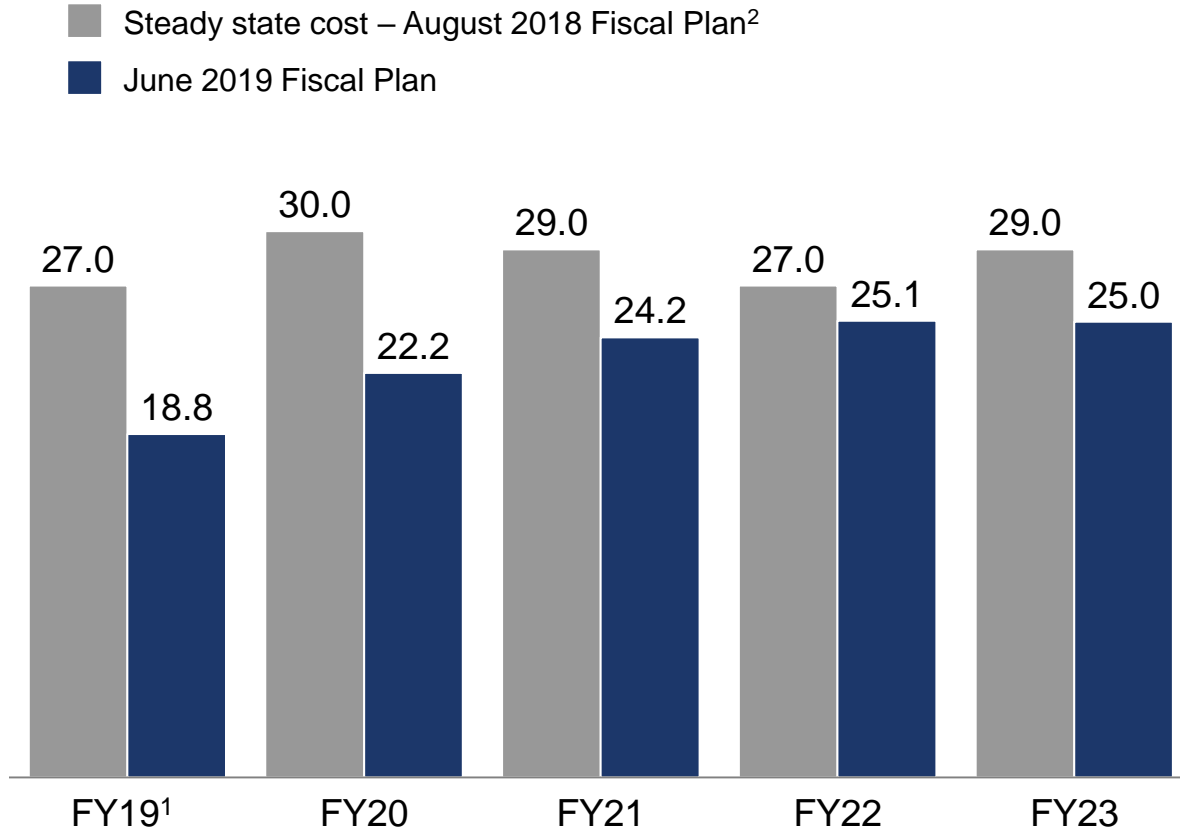


¹ Values are illustrative; actual rates differ based on each customer's tariff. Rates for Agricultural, Public Lighting, and Other customers not shown (collectively represent 2% of revenues)

² As per the RSA, Settlement Charge applicable in FY2020 only. Transition Charges become applicable starting in FY2021

Projected rates in this Fiscal Plan are on average 4.5c/kWh lower than steady state rates projected in the August 2018 Fiscal Plan

Rate comparison – Steady state cost from August 2018 Fiscal Plan vs. June 2019 Fiscal Plan, c/kWh



¹ Current Fiscal Plan shows rates based on 9 month actual spend, which are then extrapolated to calculate full year estimates.

May not include charges that occur only towards the end of the year

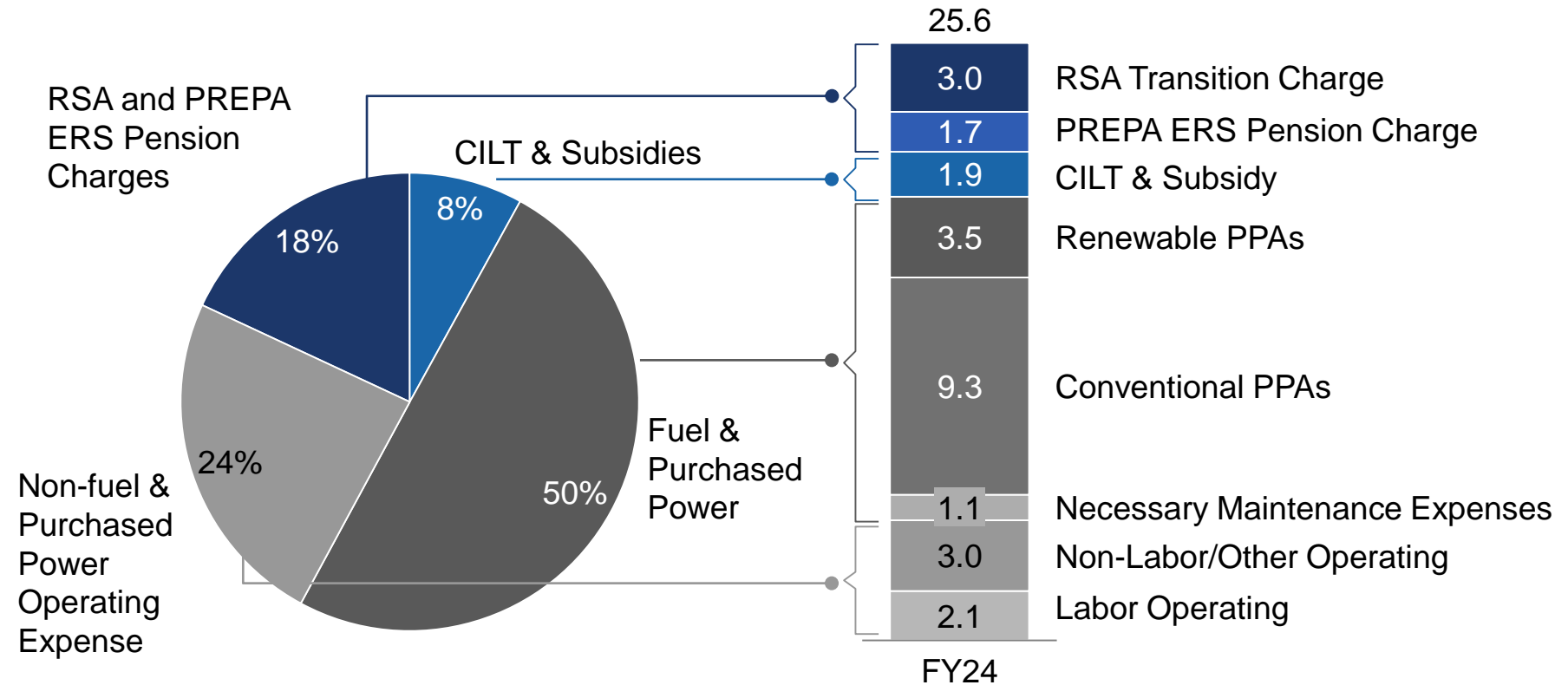
² PREPA FY2019 Certified Fiscal Plan (August 1, 2018), Page 38. Assumes grid investments are funded by disaster recovery funds. Potential for higher rates should these investments be financed through debt or directly through rates.

Key takeaways

- The steady state scenario, which assumed ongoing operations of PREPA as is without any major action, showed that rates would increase as high as 30 c/kWh in the next few years
- Rates projected in this Fiscal Plan are lower by roughly 4.5 c/kWh, and show a more positive outlook due to a number of actions already taken, and other actions that will be taken, such as:
 - Implementation of the Definitive RSA with key stakeholders
 - Conversion of San Juan 5 & 6 and Costa Sur
 - Planned delivery of Solar PPOAs in FY2021 and beyond

Percentage of total costs by category

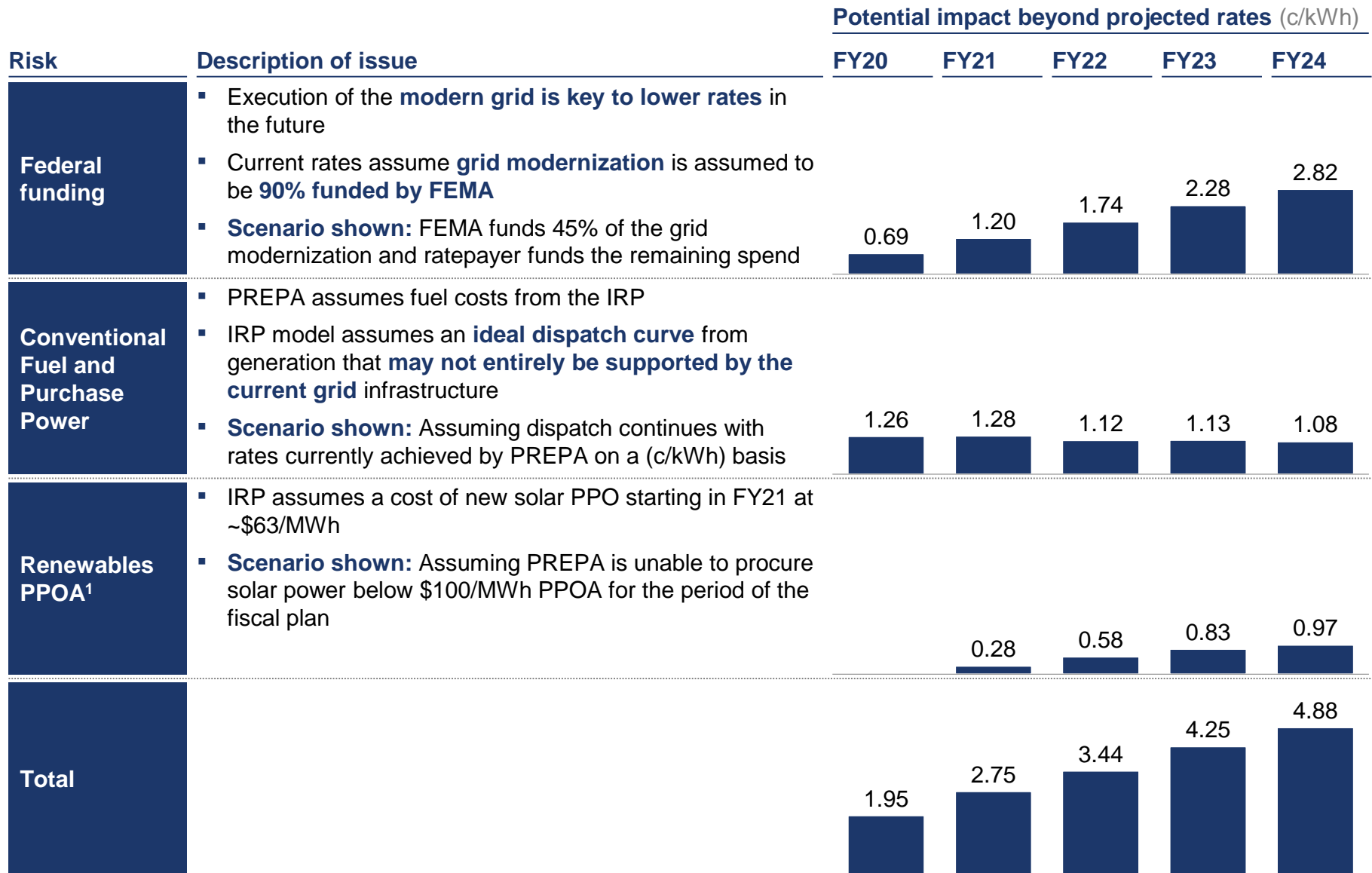
FY2024 Detailed breakdown of category, c/kWh



- Generation, operational and maintenance costs, and CILT & subsidies related costs represent 82% of the rate structure and therefore hold the largest opportunities for cost and rate reductions through transformation initiatives

Key risks could significantly impact ratepayers beyond current rate projections

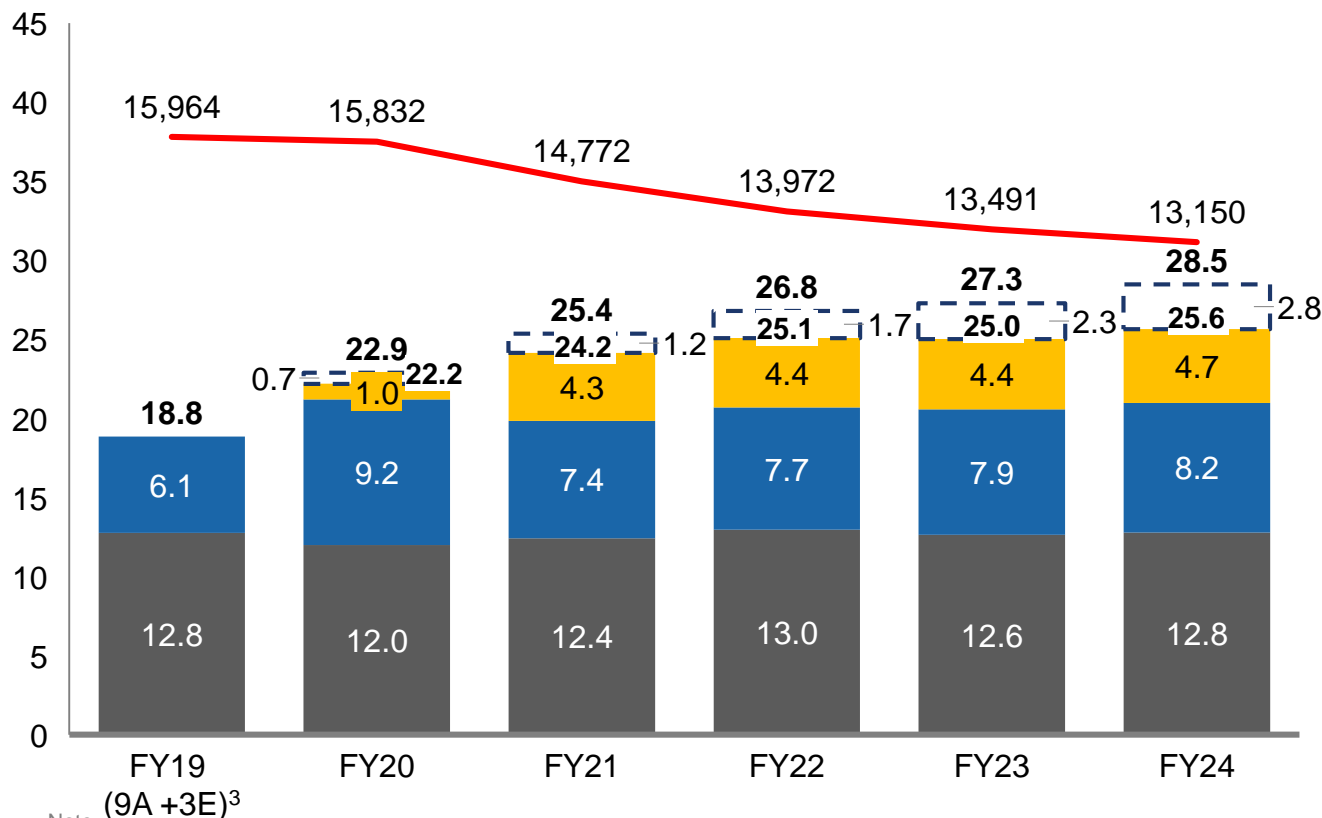
Case:17-03283-LTS Doc#:8368-2 Filed:08/02/19 Entered:08/02/19 18:11:59 Desc: Exhibit B Page 67 of 125



¹ Assumes all PPOAs signed at \$100/MWh escalated annually at 1.5%

- Utility sales actual/Forecast (GWh)
- PREPA Other Operating Costs²
- Federal Funding Risk
- Fuel & Purchased Power
- Transition Charges¹

Risk adjusted rates (c/kWh)



Note

1 For simplicity, the PREPA Definitive RSA Transition Charge plus an estimated additional charge for PREPA ERS Pension liability are shown together. These charges are independent from each other and are to be assessed on customer bills separately.

2 Includes CILT & Subsidies

3 Nine-month actual spend extrapolated to calculate full year estimates. May not include charges that occur only towards the end of the year

4 Projections do not assume compensation to new T&D operator

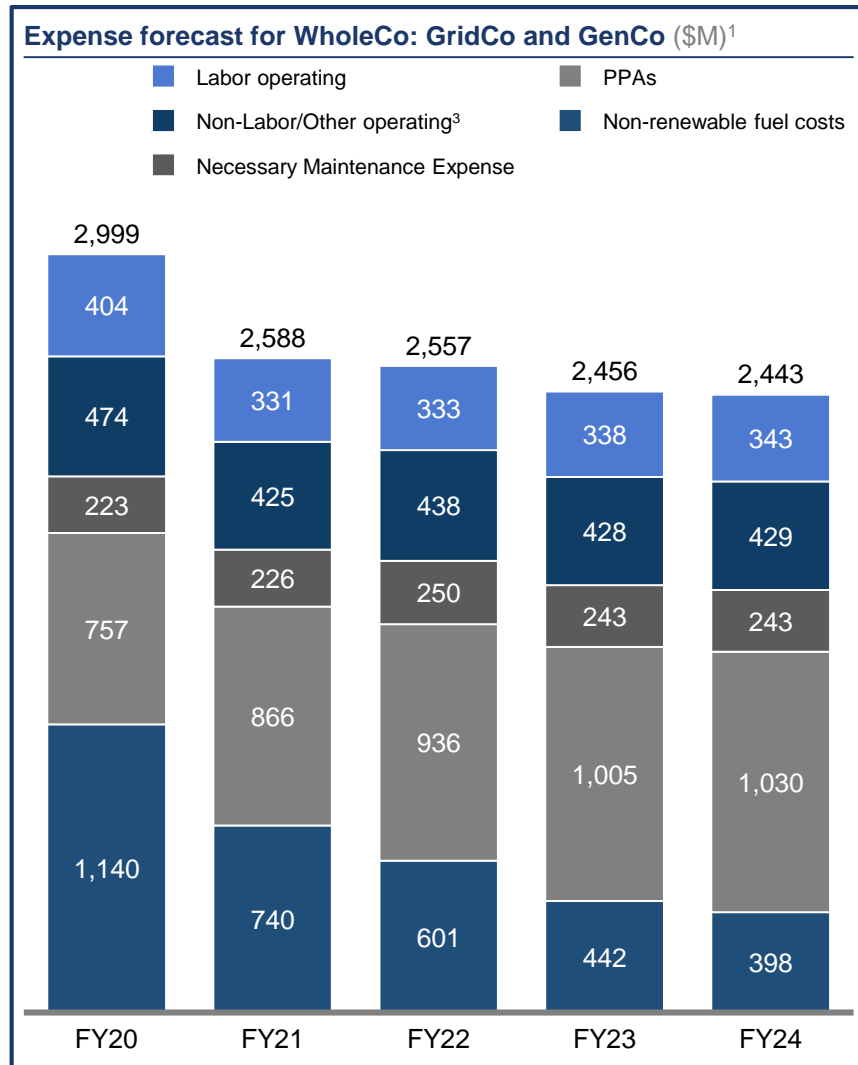
Key takeaways

- Rates forecasted⁴ in the June 2019 Fiscal Plan **could rise higher should certain assumptions not hold**
- In an extreme case scenario, **rates in FY2024 could be higher by ~3 c/kWh** if the following occurs:
 - 50% of federal funding (45% FEMA and 5% CDBG) does not materialize
- Other risks that could materialize include:
 - Higher F&PP costs if PREPA fails to implement economic dispatch
 - PREPA fails to negotiate renewable PPOAs at competitive rates

VIII. Expenses

a. Generation (“GenCo”)

Current State

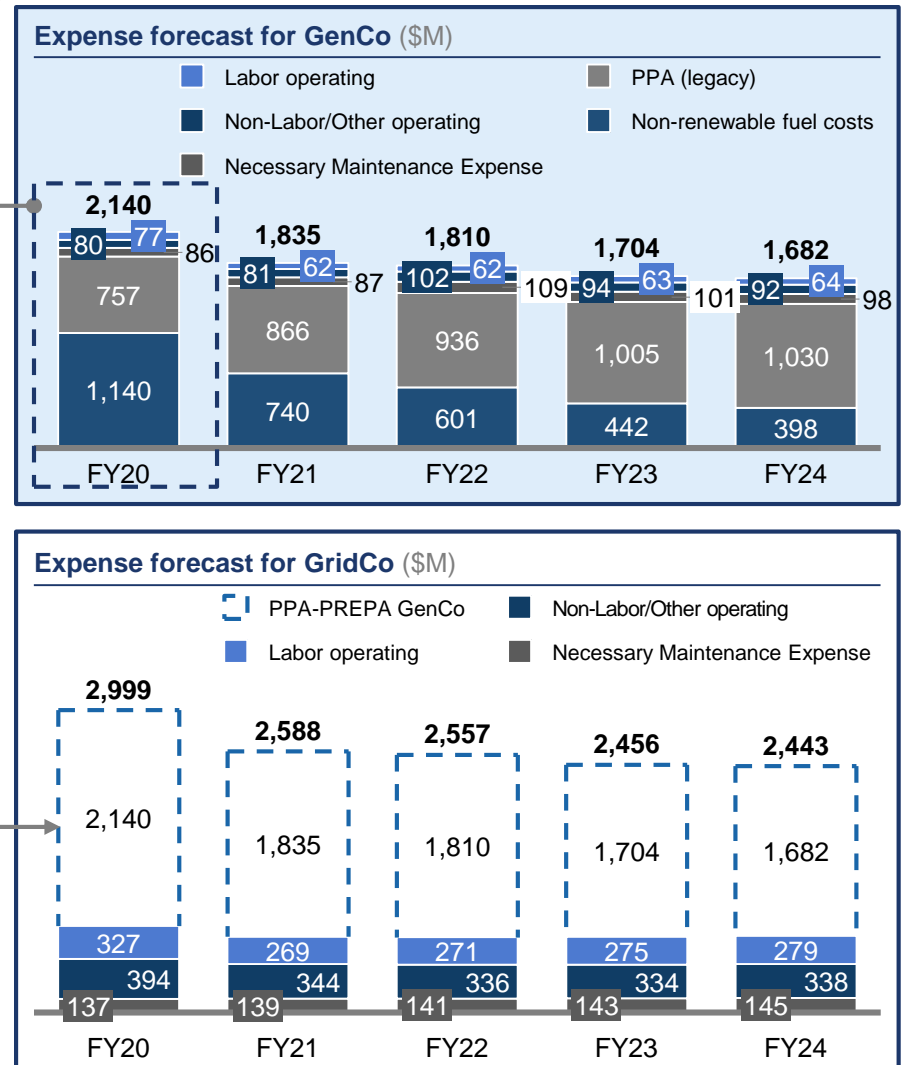


¹ Purchased Power costs for PPAs between GridCo and GenCo not shown to avoid double counting.

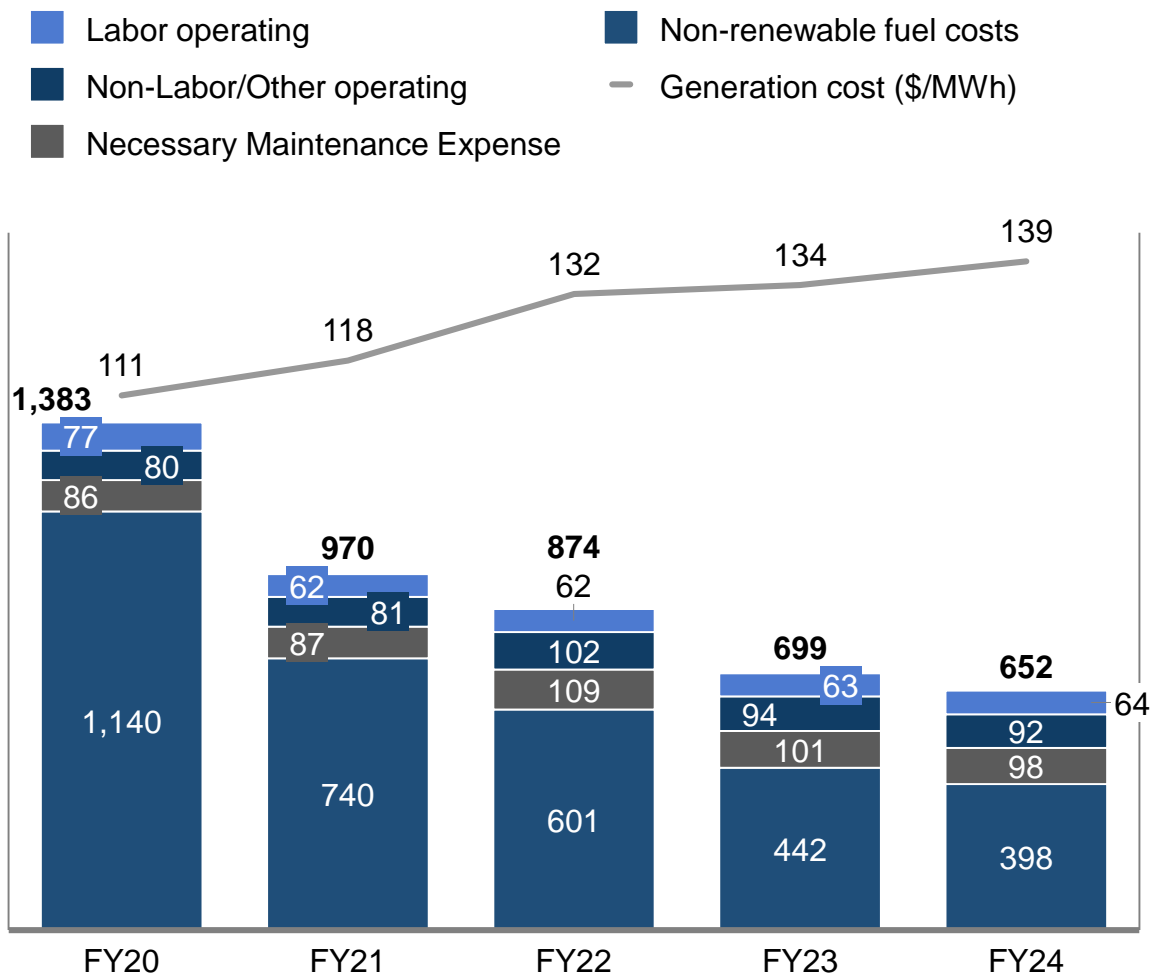
² New reporting structure for PREPA, split into GridCo and GenCo, assumed to begin in FY21 for the purposes of presentation and discussion in this Fiscal Plan

³ Bad debt expense not included

Post-Transaction State



Expense forecast for GenCo (\$M)¹



Key takeaways

- Generation costs from PREPA assets decline overtime due to higher penetration of renewables, new gas generation, and overall lowering demand
- Despite lowering overall costs, per unit generation cost rise due to lower demand
- Realization of lower fuel costs and an optimal generation mix starting in FY2021 is contingent on the successful execution of several initiatives such as economic dispatch capability, vegetation management, and improvement in grid/generation reliability. PREPA has initiated these measures in FY2019 as part of the transformation
- Labor costs do not include pensions starting in FY2021, as they are accounted for in the PREPA ERS Pension Charge

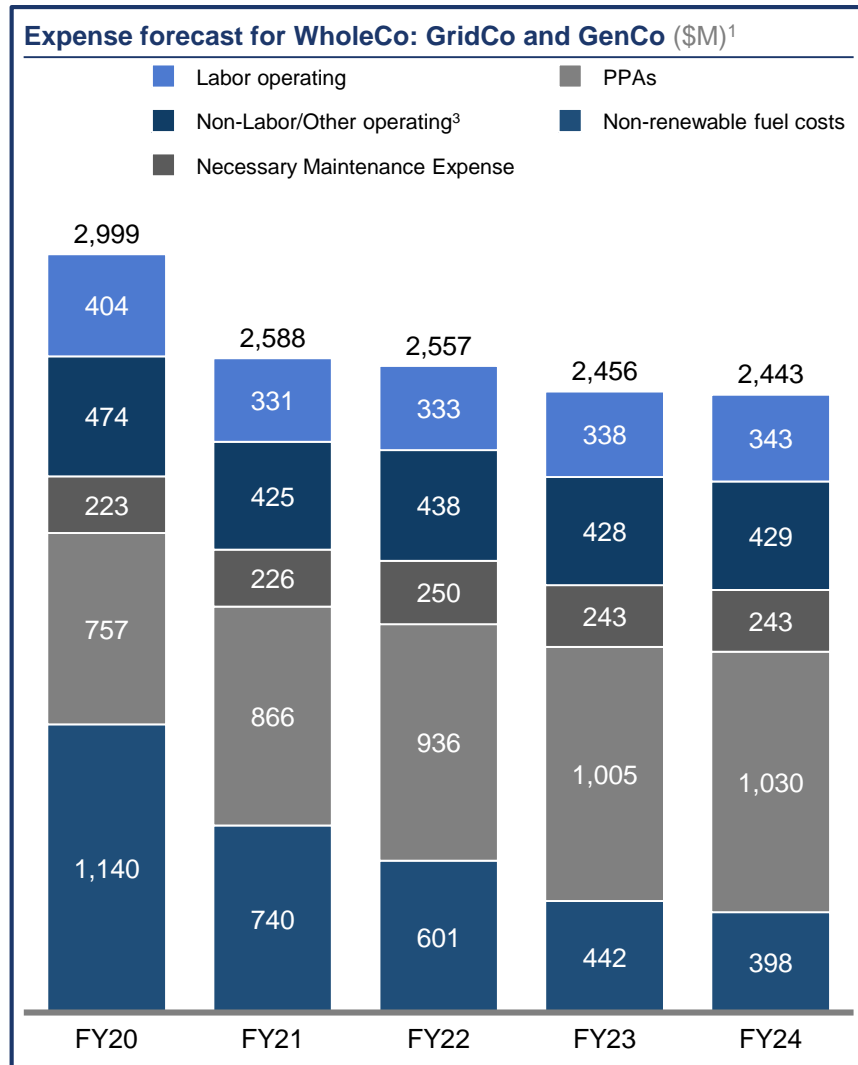
¹ Conventional and renewable PPA costs not shown above, as they are outside of GenCo

Input	General Assumptions
Transformation	The Fiscal Plan financial projections assume that a T&D operator is in place by the end of FY2020.
Renewables / MATS Compliance	Steam generating units subject to MATS will be phased out and retired over the forecast period, replaced with new renewable and dual-fuel simple and combined cycle capacity per the IRP action plan.
Liquidity and Operations	No incremental external funding requirements or liquidity concerns are expected for FY2020, unless new near-term requirements develop. FY2021 and beyond will require adjustments to rate design and structure, including rate unbundling to account for desegregation of T&D and generation functions. Overall rates will also require periodic adjustments to incorporate latest trends in demand and cost of service to ensure rates appropriately reflect system costs.
Restoration / Rebuild Funding	Timing of potential expenditure and disbursement are still uncertain and are not included in the financial projections. Puerto Rico is requesting a cost-share adjustment for future FEMA program amounts under the Stafford Act, but potentially requires 10% cost-share match from PREPA. Puerto Rico secured Community Development Block Grant-Disaster Recovery (CDBG-DR) funding to cover Stafford Act cost-share match requirements. The projections in this Fiscal Plan also budget half of the required cost-share (5%) as part of PREPA's expenses, should the full CDBG-DR funding not materialize.
Line Item	Line Item Assumptions
Fuel & Purchased Power	<ul style="list-style-type: none"> Projections are based on the IRP prepared by PREPA and Siemens, including fuel price forecasts for natural gas at the Henry Hub, crude oil (West Texas Intermediate, "WTI"), oil-derivate products of diesel (No. 2 fuel oil), and residual fuel oil (No. 6 fuel oil with 0.5% sulfur). The Henry Hub benchmark is located in Erath, LA while the WTI benchmark is located in Cushing, OK. The diesel and residual fuel oil forecasts are based on New York Harbor pricing (per the contract terms for Costa Sur). Sub-categories: Fuel, Purchased Power – Conventional, Purchased Power – Renewable
Labor Operating	<ul style="list-style-type: none"> Assumes 1.5% growth in FY2021 – 2024 for expected inflation and to stabilize workforce exodus Pension & Benefits expenses are based on historic spending levels and performance improvement initiatives such as medical plan reform Starting in FY2021 all pension costs are included in the PREPA ERS Pension Charge Sub-categories: Salaries & Wages, Pension & Benefits, Overtime Pay, and Overtime Benefits. Overtime costs reduced by 25% in FY2021 and another 25% in FY2022, with equivalent amount of full-time employees hired to compensate
Non-Labor / Other Operating	<ul style="list-style-type: none"> FY2020 is based on budget itemized requests FY2021 and beyond is projected using historic spending levels and assumes 1.5% growth (same as above) Sub-categories: Materials & Supplies, Transportation, Property & Casualty Insurance, Retiree Medical Benefits, Security, IT Service Agreements, Banking Services, Utilities & Rents, Legal Services, Communications, Professional & Technical Outsourced Services, Regulation and Environmental Inspection, Other Miscellaneous, Restructuring, Other Expenses
Maintenance	<ul style="list-style-type: none"> Minimum maintenance expenditure requirements are included to keep the system operational. However, PREPA is expected to continue to require additional funds above historical average annual expenditure to repair the system and improve reliability to acceptable levels. Federal funding is assumed to be available to cover a substantial amount of capital required for system rebuild and maintenance.

VIII. Expenses

b. Non-Generation (“GridCo”)

Current State



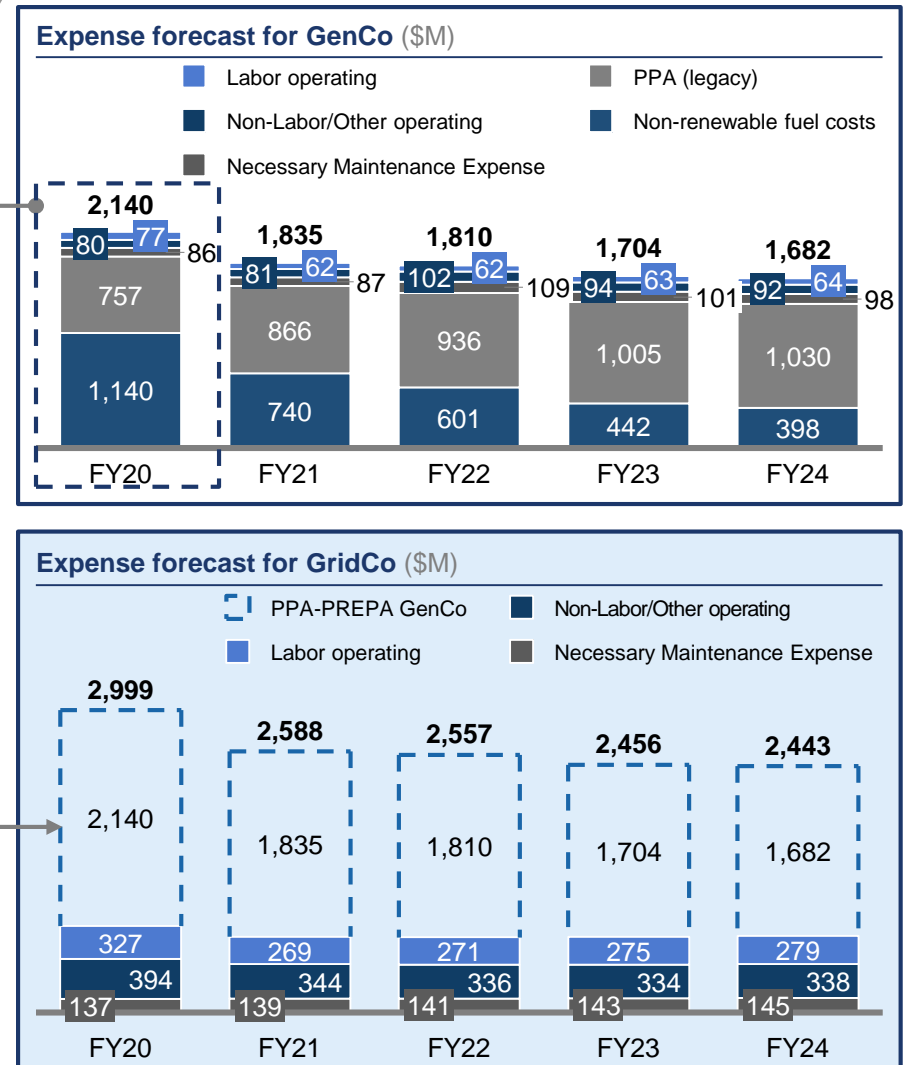
¹ Purchased Power costs for PPAs between GridCo and GenCo not shown to avoid double counting.

² New reporting structure for PREPA, split into GridCo and GenCo, assumed to begin in FY21 for the purposes of presentation and discussion in this Fiscal Plan

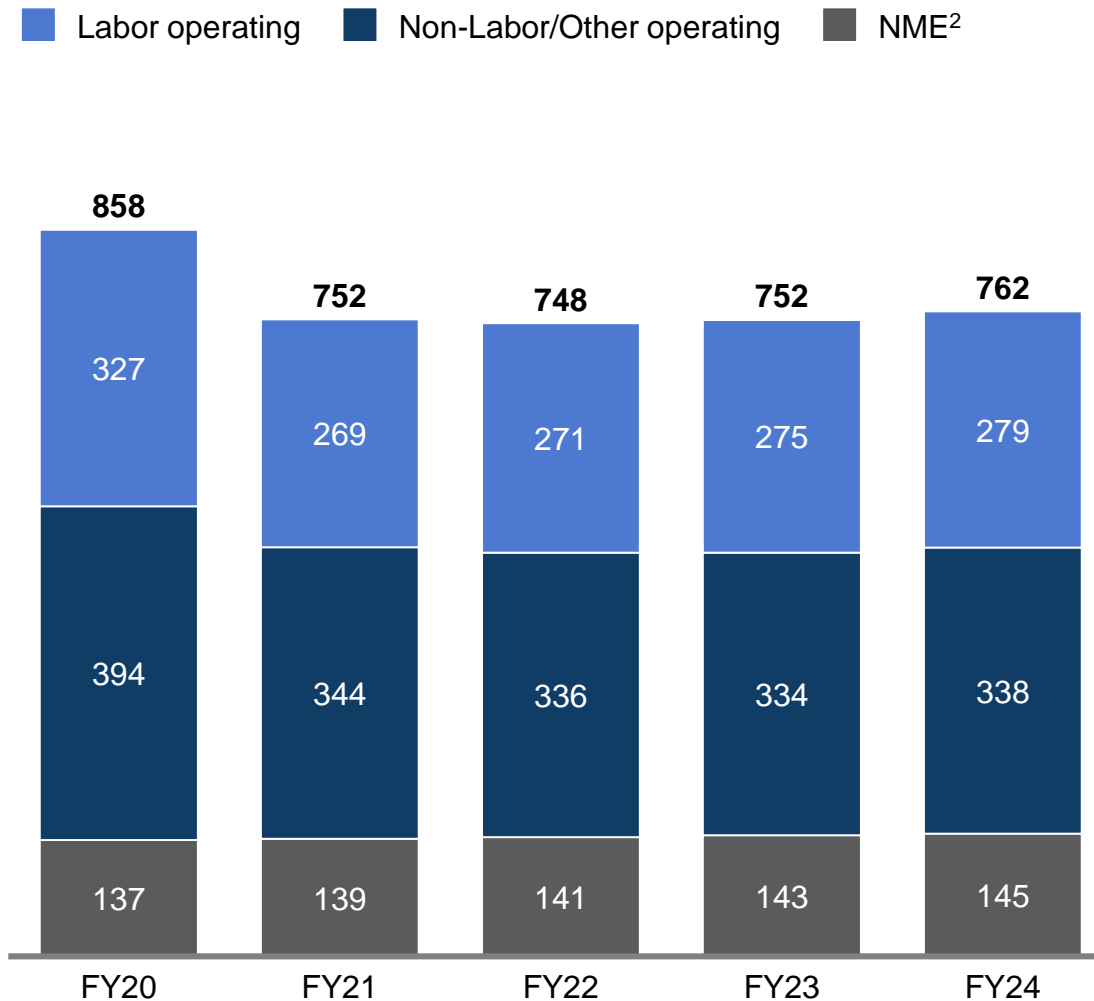
³ Bad debt expense not included



Post-Transaction State



Expense forecast for GridCo (\$M)¹



¹ Costs shown for core GridCo operations. PPA related costs, or any other GenCo related costs, not shown here

² Necessary Maintenance Expenses

Key takeaways

- Labor costs reflect savings from reducing spending on overtime salaries and benefits
 - PREPA will develop a detailed plan to reducing overtime in FY2020-2022, relative to FY2019 spend
- Non-labor costs are higher in FY2020 than in other years due to Title III restructuring costs and P3 Authority Transaction costs
- Non-labor costs account for budgeting for half of the cost-share needed for FEMA funds, should the full amount of anticipated CDBG funding be unavailable
- NME² expenses in FY2020 are primarily driven by improvements to distribution lines (above ground and underground); \$20M is also allocated to replacement of meters to improve billings

Input	General Assumptions
Transformation	The Fiscal Plan financial projections assume that a T&D operator is in place by the end of FY2020. Cost of Service does not include additional funding for the T&D operator management fee
Renewables / MATS Compliance	Steam generating units subject to MATS will be phased out and retired over the forecast period, replaced with new renewable and dual-fuel simple and combined cycle capacity per the IRP action plan.
Liquidity and Operations	No incremental external funding requirements or liquidity concerns are expected for FY2020, unless new near-term requirements develop. FY2021 and beyond will require adjustments to rate design and structure, including rate unbundling to account for desegregation of T&D and generation functions. Overall rates will also require periodic adjustments to incorporate latest trends in demand and cost of service to ensure rates appropriately reflect system costs. Debt Service Obligation accounts for 2019 RSA Agreed Terms and estimated PREPA ERS pension liability amortized over 40 years
Restoration / Rebuild Funding	Timing of potential expenditure and disbursement are still uncertain and are not included in the financial projections. Puerto Rico is requesting a cost-share adjustment for future FEMA program amounts under the Stafford Act, but potentially requires 10% cost-share match from PREPA. Puerto Rico Secured Community Development Block Grant-Disaster Recovery (CDBG-DR) funding to cover Stafford Act cost-share match requirements. The projections in this Fiscal Plan also budget half of the required cost-share (5%) as part of PREPA's expenses, should the full CDBG-DR funding not materialize.
Line Item	Line Item Assumptions
Labor Operating	<ul style="list-style-type: none"> Assumes 1.5% growth in FY2021 – 2024 for expected inflation and to stabilize workforce exodus Pension & Benefits expenses are based on historic spending levels and performance improvement initiatives such as medical plan reform Starting in FY2021 all pension costs are included in the PREPA ERS Pension Charge Sub-categories: Salaries & Wages, Pension & Benefits, Overtime Pay, and Overtime Benefits. Overtime costs reduced by 25% in FY2021 and another 25% in FY2022, with equivalent amount of full-time employees hired to compensate
Non-Labor / Other Operating	<ul style="list-style-type: none"> FY2020 is based on budget itemized requests FY2021 and beyond is projected using historic spending levels and assumes 1.5% growth (same as above) Sub-categories: Materials & Supplies, Transportation, Property & Casualty Insurance, Retiree Medical Benefits, Security, IT Service Agreements, Banking Services, Utilities & Rents, Legal Services, Communications, Professional & Technical Outsourced Services, Regulation and Environmental Inspection, Other Miscellaneous, Restructuring, Federal Funding Cost Share Allocation, and Other Expenses
Maintenance	<ul style="list-style-type: none"> Minimum maintenance expenditure requirements are included to keep the system operational. However, PREPA is expected to continue to require additional funds above historical average annual expenditure to repair the system and improve reliability to acceptable levels. Federal funding is assumed to be available to cover a substantial amount of capital required for system rebuild and maintenance.

VIII. Expenses

c. Resiliency & Resource Planning

PREPA has prepared an Integrated Resource Plan for PREB review and approval, which will establish strategies for meeting electric energy demands over the next 20 years

- As required by the 2014 Transformation Act and the Energy Policy Act, PREPA has prepared and is currently refining an IRP that will identify resources, both conventional and renewable, as well as energy efficiency and conservation measures, for satisfying demand for electric energy in Puerto Rico
- The PREB found the initial version of the IRP filed on February 13, 2019 to be deficient in certain respects, and required PREPA to make various revisions and consider certain additional scenarios
- PREPA and its advisors have revised the IRP to address the identified deficiencies and certain additional PREB requirements
- A revised IRP was filed on June 7, 2019 and is pending regulatory approval. It evaluates a variety of scenarios, each of which lays out a combination of system requirements needed to serve load, commodity prices, capital costs, total system costs, and risks that influence the choice of resources to serve future electric load
- The IRP scenarios include the Energy System Modernization Plan (ESM), and the Preferred Resource Plan, which aim to direct further investment in and development of Puerto Rico's electric utility system
- The final version of the IRP should be approved and adopted by end of FY2019

The following IRP recommendations form the basis of the June 2019 Fiscal Plan:

- 1. Maximize solar photovoltaic (PV) generation additions in the early years of the plan**
 - With low renewable prices and high adoption, lower costs of supply can be achieved
 - Early installation benefit from the Investment Tax Credit
 - Declining demand favors early installations to maximize the life benefit
 - Volumes are very high and may stretch the ability to operate the system, but technology is improving rapidly
- 2. Install 440 MW to 900 MW of battery energy storage in the first four years of the plan**
 - Early installation supports PV integration and provides operating reserves and ancillary services
 - Declining demand favors early installation to supply greater lifetime load
- 3. Convert San Juan 5&6 Combined Cycle (CC) to burn natural gas**
 - Selected by the LTCE¹ in every scenario and sensitivity for which it is available
- 4. Develop a land-based LNG terminal to supply 1 or 2 new 302 MW Palo Seco CCGT and San Juan 5&6 units**
 - Selected by the LTCE in every scenario and sensitivity for which it is available
 - The land-based LNG allows developing flexible and economic resources close to loads
- 5. Develop a new 300 MW CCGT at Costa Sur or extend a renegotiated contract with EcoEléctrica**
 - New 303 MW CCGT always displaces EcoEléctrica if current contract fixed payments are maintained
- 6. Add smaller Gas Turbines (GTs) capable of burning containerized natural gas (18 GTs x 23 MW).**
 - Provide the required minimal thermal supply to the MiniGrids in the short term
 - Together with storage to manage the integration of solar PV
- 7. Ship-Based LNG terminal at Mayagüez to supply the 4x50 MW Aeros and possibly a new 300 MW CCGT.**
 - Plans should be made for this terminal as a minimum regret strategy

¹ Long Term Capacity Expansion (LTCE)

PREPA's T&D infrastructure will be restored and modernized to support the integration of renewables and distributed resources as well as overall efficiency, reliability, and resiliency.

T&D Restoration and Rebuild Overview

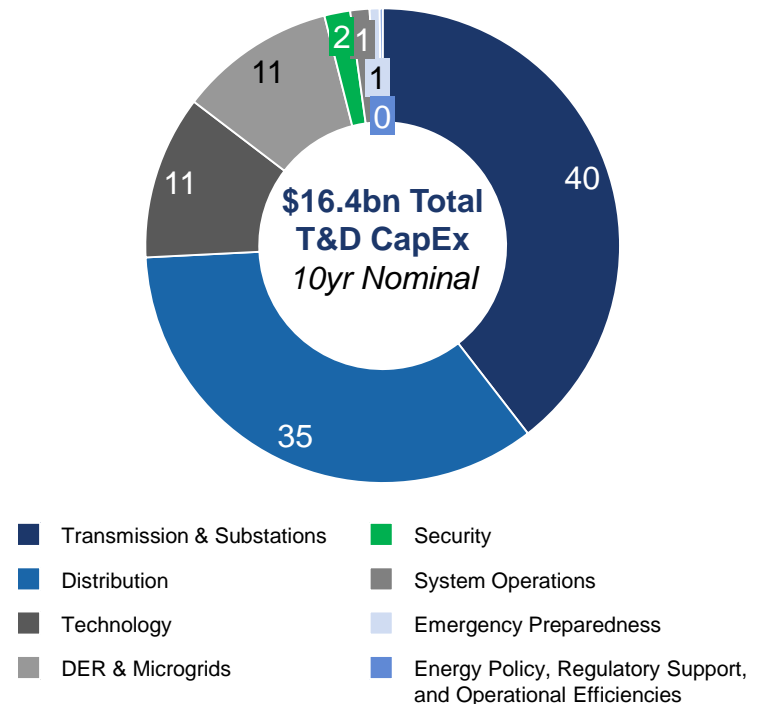
- PREPA and relevant stakeholders have identified nine key areas of focus for T&D restoration and rebuild
 - ① Transmission and substations
 - ② Distribution
 - ③ Distributed energy resources and MiniGrids /
 - ④ microgrids
 - ⑤ Technology
 - ⑥ Security (both physical and cyber)
 - ⑦ System operations
 - ⑧ Emergency response and preparedness
 - ⑨ Energy policy and regulatory support
 - Operational efficiency
- Resources will be devoted to hardening the overall system, upgrading the system to withstand hurricane-force winds, and modernizing system design standards to be in-line with the mainland U.S.
- MiniGrids and microgrids will play a key role in supporting resiliency across the island
- T&D restoration and rebuild will complement the generation plan for Puerto Rico
 - Deployment of restoration capex will be assisted by the Private Party

Note: Figures reflect nominal dollars. Assumes annual inflation of 2%

¹ As an example, the T&D cost estimates do not contemplate the wholesale replacement of every single pole and wire in PREPA's T&D system. Those poles and wires that are in good working condition will continue to operate.

SOURCE: PREPA, COR3, and Navigant

10Yr T&D CapEx by Area of Focus (Percent)



*Note that the T&D cost estimates **do not reflect a wholesale replacement of the current infrastructure**¹, but rather represent a prioritized storm hardening plan for portions of the power grid based on asset damage and immediate grid needs*

In an effort to increase the resiliency of the grid, the system will be organized into independent electrical “islands” which the system can be divided into following a catastrophic event.

MiniGrid and Microgrid Overview

- The IRP envisions the configuration of the T&D system into eight MiniGrid “islands” to support resiliency and facilitate the integration of renewable and distributed energy resources
- Each MiniGrid will be interconnected with the rest of the electric power system, however it will also be possible to operate each independently for an extended period in the event of grid failure
 - Network of independent MiniGrids will be designed to prevent system-wide blackouts if key transmission lines fail, which occurred following Hurricane Maria
 - Interconnecting lines may take more than a month to repair potential damage
 - Improves ability to respond to and recover from catastrophic events
- Each MiniGrid will be supported by sufficient distributed generation resources to operate independently
 - Builds system redundancy in the event of grid failure
- Within each MiniGrid, small-scale microgrids will support critical load infrastructure such as hospitals, police stations, fire departments, and communications
 - Critical loads supported by the microgrids will be served by dispatchable thermal resources
 - Builds an additional layer of resiliency and hardening for key operation centers

Process of Identifying MiniGrids

- Factors considered when determining MiniGrid locations:
 - Location of critical loads and population centers
 - Geographic topography
 - Vulnerability and susceptibility of overhead transmission lines to long-term outages
 - Possibility of having a 115 kV backbone comprised of underground facilities
- Independent microgrids are located within each MiniGrid on a much smaller scale
 - Siting of potential microgrids depends on the location and needs of critical infrastructure load

Geographic Location of MiniGrids



Transmission and Substations

- Harden the power delivery system to withstand hurricane-force winds
- Buildout of electrical “island” minigrids will improve overall flexibility, resiliency, and facilitate the integration of renewables and distributed generation
- System will be built using widely-accepted design standards
- **Priority projects:**
 - ✓ Hardening north-south transmission lines from southern generating units to San Juan
 - ✓ Short-term spending on critical substations and substations in flood-prone areas
 - ✓ Targeting 38 kV transmission lines for rebuild to 115 kV design standard for future voltage conversion

Distribution

- Harden the distribution system, with redundancies via automatic feeder switching configurations and near real-time operational control
- Distribution system will accommodate a high level of distributed energy resources while providing resiliency to critical infrastructure and customer loads
- **Priority projects:**
 - ✓ Near-term upgrades to lines that serve critical customers and loads
 - ✓ Undergrounding of the overhead lines with high exposure to wind and tree / vegetation damage
 - ✓ Automation of feeder switching technologies and configurations

Technology

- Upgrade energy system with modern, reliable, and resilient technology for advanced monitoring and control, sensing, and self-healing capabilities
- **Priority projects:**
 - ✓ Advanced metering infrastructure / smart meters
 - ✓ Smart street lighting
 - ✓ Distribution automation communication (field area network)
 - ✓ Supervisory Control and Data Acquisition (SCADA) communications equipment and program to enable buildout and control of minigrids

Distributed Energy and MiniGrids

- Support resiliency following a major storm event
- Installation of distributed energy resources and minigrids / microgrids will improve the time to recover from outages
- **Priority projects:**
 - ✓ Complete minigrid / microgrid studies by PREPA, Siemens, and the Sandia National Laboratory
 - ✓ Commence planning process for energy efficiency and demand response program rollouts
 - ✓ Begin planning the distributed energy resource program to guide resource installations

Physical and Cyber Security

- Complement infrastructure upgrades with both physical and cyber security investments
- **Priority projects:**
 - ✓ Identify and assess PREPA critical facilities
 - ✓ Baseline cybersecurity and physical security posture and tools assessment for high risk facilities
 - ✓ Implementation of various cyber and information technology (IT) protection measures (e.g. firewalls, remote access, SCADA, etc.)
 - ✓ Implementation of a physical and cyber program build (e.g. North American Electric Reliability Corporation (NERC) standards)
 - ✓ Enhance protections at non-critical substations
 - ✓ Improve on and develop a security operations center

Operations, Efficiencies, & Preparedness

- Harden facilities with advanced technologies capable of withstanding future storm events
- Initiatives to improve operational efficiency including an asset management program, a skills training program, and a PREPA Center for Innovation
- Emphasis on emergency preparedness and disaster recovery investments
- **Priority projects:**
 - ✓ Hardening of control centers and the emergency operations center
 - ✓ Formulation of an emergency response and mutual assistance plan
 - ✓ Formulation of a supply and logistics plan
 - ✓ Preparation for the next hurricane season, including taking inventory of spare parts, trucks, and other equipment
 - ✓ Development of an Emergency Operations Center

VIII. Expenses

d. Operational Initiatives & Performance Improvements

Required reporting for each initiative to be provided by the end of Q1 FY2020

The initiative template provided below will apply to all initiatives that are not completed and described in the Fiscal Plan. For initiatives that do not have estimated savings, key KPIs and timing of KPI delivery must be highlighted.

Initiative name:	What is the name of this initiative? (concise and different enough from other initiatives)
Initiative lead:	Which entity and individual are accountable for delivering this initiative? (ideally one name)
Initiative approvers:	Which entities and individuals are responsible for approving this initiative? (P&L lead, Finance)
Initiative workstream:	Which P&L does this initiative align to? (if more than one, identify primary workstream)
Initiative working team:	Who are working team members tasked with delivering this initiative? (highlighting main contact)
Contributors:	Who else might contribute to this initiative? (in case of other entities, mention key contacts)

Ultimate goal and scope of this initiative

- What is the purpose of this initiative?
- What is the underlying issue this initiative is solving?
- How do we define ultimate success for this initiative?
- What is included in the scope of this initiative (countries, entities)

Impact and timing

- What is the preliminary estimate of financial impact?
- What data is required for robust valuation (e.g., financial data and market assumptions)?
- When will the initiative be locked in (financial value, implementation plan)?
- When will the initiative begin to create value?

Major milestones

- What are the top 3-5 milestones necessary to achieve success? When must they be completed and who is responsible for them?

Key performance indicators

- What are our important objectives and what metrics will show better outcomes?
- How will this data be collected and how will a baseline for this data be created?

Dependencies

- Where are there major interdependencies with other initiatives (or other reforms)?

Risks

- What are the key risks?
- What challenges are likely to arise?

Key stakeholders

- Who are the stakeholders that the team needs to communicate with?
- How often does the team communicate with each stakeholder group?
- Which stakeholders influence / make decisions affecting the initiative?

Support needed

- What funding is necessary to ensure that the workstream is successful?
- What other resources / investments are necessary?
- Who does the team need support and input from?



Overview of FY2020 Initiatives

PREPA will actively pursue a number of initiatives during FY2020 in an effort to reduce costs and increase safety, reliability and resiliency.

Initiative	Type	Project Phase
San Juan 5 & 6 Fuel Conversion and Repair	Fuel & Purchased Power	Execution
Costa Sur Fuel Conversion	Fuel & Purchased Power	Complete
Economic Dispatch Model	Fuel & Purchased Power	In progress
Renewable Purchased Power Agreements	Fuel & Purchased Power	Negotiations in progress
Conventional Purchased Power Agreements	Fuel & Purchased Power	Final negotiations in progress
Plant Performance and Reliability	Fuel & Purchased Power	On hold
Personnel Capacity and Overtime Tracking	Labor Operating Expenses	Execution
Retirement Processing	Labor Operating Expenses	Complete
Pension Benefit Reform	Labor Operating Expenses	Execution
Medical Benefit Reform	Labor Operating Expenses	Complete
Smart Meters Installation / Damaged Meter Replacement	T&D Capital Expenses	In progress
CILT excess consumption collection	Revenue	In progress
Vegetation Management	Labor Operating Expenses	RFP in progress
Real Estate Optimization	Labor Operating Expenses	In planning
New Generation Plan	Fuel & Purchased Power	Planning / Concept development
Grid Modernization	T&D Capital Expenses	Planning / Concept development
Improving Contract Management Process	Procurement	Execution
E-Billing	Labor Operating Expenses	In progress
Call Center	Labor Operating Expenses	Complete

In progress signifies milestone accomplishments progressing per cadence established in the Fiscal Plan.

Execution signifies contract awarded.



Overview of FY2020 Initiatives

PREPA plans to finalize and embark on several FY2020 initiatives, with additional projects still under development

Initiative	Type
(1) Pension Benefit Reform	Labor Operating Expenses
(2) Grid Management	Transmission Efficiency
(3) Real Estate Optimization	Operating Expenses
(4) Purchased Power Agreements	Fuel & Purchased Power
(5) Generation Related Projects	Fuel & Purchased Power
(6) Meter-related Projects	Revenue Improvement
(7) Improving Contract Management	Procurement
(8) P3 Projects	Various
(9) Personnel Related	Labor Operating Expenses
(10) Vehicle Fleet Management	Operating Expenses
(11) Fuel Supply Contracts	Fuel & Purchased Power
(12) Working Capital Management	Revenue Improvement

Each FY2020 initiative is detailed in the following pages.

Finalize and implement new plan design to reduce total liability

Description

- During FY2019, the analysis of the PREPA pension plans was completed by an independent third party
- During FY2020, an analysis of the total liability outstanding, possible restructuring options, and associated funding obligations must be complete

Impact on the Fiscal Plan

- Initiative is not expected to provide any near-term savings, instead it will require additional funding
- Project is designed to reduce underfunding and improve the long-term viability of the pension plan
- Improved plan status should assist in employee retention and morale

Status

- Project Phase:** In negotiations

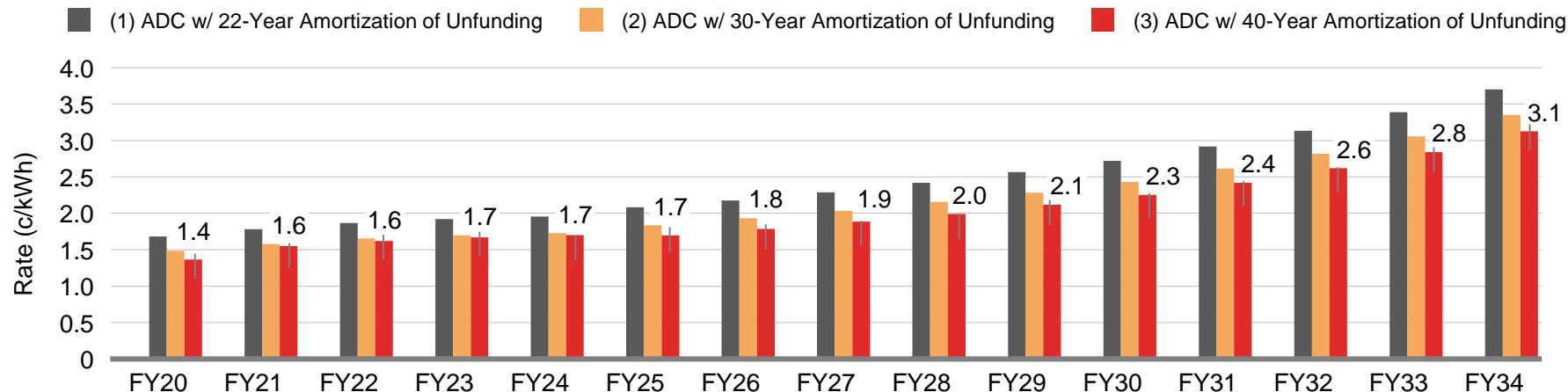
Current Status

- Pension Benefits Reform:** Actions are currently underway to calculate the total liability outstanding, possible restructuring options, and associated funding obligations

Key Initiatives / Potential FY2020 Savings

Initiative	Description	Due Date	Savings Target (\$M)
Pension Benefits Reform	Finalize and implement new plan design to reduce underfunding	TBD	TBD
Projected Savings for FY2020: 0			

PREPA's Employee Retirement System ("PREPA ERS") is designed to meet the defined-benefit pension and other post-employment benefits ("OPEB") obligations of PREPA's active and retired employees (including beneficiaries)



Annual Required Employer Contribution for Pension

- Consists of two components—normal cost (less employee contributions) and amortization of unfunded actuarial liability
- Based on the current funding policy, the unfunded actuarial liability is amortized over 22 years from the 6/30/2018 valuation
- Under the baseline scenario, the plan is projected to be fully funded and no amortization payment is required after FY2041
- As of June 30, 2018, total number of active participants is 5,960, and total number of inactive participants receiving benefit is 12,393

Impact on Employer Contribution by Extending Amortization Period

- If the funding policy is changed to extend amortization from 22 years to 30 years, annual required employer contribution would decrease by \$31M for FY2020, but amortization payments would continue until FY2049
- Left unchanged, the cost of meeting PREPA's defined-benefit pension and OPEB obligations will represent a significant and growing cost to the consumer. Therefore, the most responsible course of action for PREPA **will be to reform its pension and OPEB obligations through a freeze and/or benefit reduction so that PREPA can deliver on its core mission** (delivering affordable and reliable power)

Figures shown are preliminary, and pre-restructuring; estimate will be revised once pension reform is complete

Notes:
 1 Baseline assumes all assumptions are met during the projection period (e.g. pension assets earn 6.30% return each year).
 2 Load forecasts from FY2025 – FY2034 are linearly extrapolated based on loads between FY2020 and FY2024

(2) Grid Management and Modernization

✓ Cost ✓ Safety ✓ Reliability/Resiliency

Determine the most cost-effective projects necessary to upgrade the reliability, resiliency, and flexibility of the transmission grid

Description

- Grid Management will focus on discrete projects that improve the reliability/resiliency and flexibility of the PREPA transmission grid
- Vegetation management is a short-term, no-regrets initiative that supports reliability, efficiency, and economic dispatch
- Grid Modernization will focus on identifying projects that can strengthen network resiliency and reliability and are in line with the IRP

Impact on the Fiscal Plan

- Vegetation management requires an investment of \$50M for FY2020 to enable greater efficiencies, reduced losses, reduced fuel consumption, and emissions.
- Once the capacity of transmissions lines is increased, savings will be realized through more economic dispatch of generation plans

Status

- Project Phase:** Execution & Concept Development
- Financial:** On Track
- Schedule:** Pending schedule
- Resources:** On Track
- Other Issue/Risk:** None

Current Status

- Vegetation Management:** Pilot project is underway, with two contractors targeting ~310 critical miles. RFP responses are expected in the end of June for a long-term contract
- Economic Dispatch Model:** Sargent & Lundy is preparing studies (e.g. LIDAR, PSSE) which will establish additional projects that will provide savings through more economic dispatch once transmission constraints are reduced
- Grid Modernization:** Focused on establishing eight MiniGrids based on new IRP

Key Initiatives / Potential FY2020 Savings

Initiative	Description	Due Date	Savings Target (\$M)
Vegetation Management	Contract with outside vendor to provide best-in-class vegetation management program to PREPA	Q3 FY2020	\$0M (\$50M in opex required)
Economic Dispatch Model	Build an economic dispatch model with zonal and nodal components for the PR grid to generate savings	TBD	\$24M ¹

Projected Savings for FY2020: TBD

Reporting plan

- New projects introduced to meet the targets of grid management and modernization will be reported independently with milestones and rationale

¹ FY2020 Savings Target – May 2019 Post Certification Report

Identify specific properties that can improve PREPA's utilization of real estate spaces through lease renegotiations and property sales

Description

- Identify specific PREPA real estate properties for which savings could be realized

Impact on the Fiscal Plan

- Reduction in rent on certain leased properties is expected to generate near-term savings
- Sales of unused properties is expected to generate both immediate liquidity from sales proceeds and reduction in ongoing operating expenses

Status

- Project Phase:** In planning

Current Status

- Real Estate Optimization:** Consultant, hired near the end of FY2019, is :
 - Preparing a study to identify specific PREPA real estate properties for which savings could be realized
 - Defining strategies to rationalize properties through sale of owner properties and renegotiation or cancellation of leases

Key Initiatives / Potential FY2020 Savings

Initiative	Description	Due Date	Savings Target (\$M)
Disposition of Properties at Santurce	Rationalize leased and owned properties not required for continuing operations	TBD	TBD
Utilization of space and inventory	Rationalize leased and owned properties not required for continuing operations	TBD	TBD
Commercial Offices Optimization	Rationalize leased and owned properties not required for continuing operations	TBD	TBD
Identification of Unused Facilities and Assets	Rationalize leased and owned properties not required for continuing operations	TBD	TBD
Identification of properties held for future use	Rationalize leased and owned properties not required for continuing operations	TBD	TBD

Projected Savings for FY2020: TBD

(4) Purchased Power Agreement Renegotiations

✓ Cost ✓ Safety ✓ Reliability/Resiliency

Finalize renegotiations of existing power purchase agreements to obtain lower prices reflective of market conditions

Description

- PREPA has undertaken the renegotiation of its existing purchased power agreements, both renewable and conventional

Impact on the Fiscal Plan

- Renegotiations of the various contacts are expected to generate both near-term and long-term savings on the cost of purchased power

Status

- Project Phase:** Execution for Conventional, in negotiations for renewables
- Financial:** On Track for conventional
- Schedule:** On Track for conventional
- Resources:** On Track for conventional
- Other Issue/Risk:** None

Current Status

- Conventional PPA Renegotiations:** Negotiations with EcoEléctrica are near final (target completion on 7/1/2019); negotiations with AES involving potential fuel switching are ongoing (target completion 11/1/2019)
- Renewable PPA Renegotiations:** Negotiations with various parties to renewable agreements are in various stages; projects with the greatest potential savings will be prioritized

Key Initiatives / Potential FY2020 Savings

Initiative	Description	Due Date	Savings Target (\$M)
Conventional PPA Renegotiation	Renegotiate PPAs with EcoEléctrica and AES	11/15/2019	\$80M ¹
Renewable PPA Renegotiation	Renegotiate PPAs with 11 shovel ready contractors for renewable projects	TBD	\$45M ¹
Projected Savings for FY2020: TBD			

Reporting plan

- Each PPA will have a separate initiative and monthly reports will be made available on the status of implementation

¹ FY2020 Savings Target – May 2019 Post Certification Report

(5) Generation-Related Projects Exhibit B Page 92 of 125

✓ Cost ✓ Safety ✓ Reliability/Resiliency

Develop, contract, and implement performance improvement projects at selected plants to improve performance and reliability of selected plants

Description

- Finalize several generating plant initiatives started in FY2019
- Develop additional generation-related projects which will improve the overall operations of the generation directorate

Impact on the Fiscal Plan

- Costa Sur fuel conversion is already generating savings, and valve replacement project is meant to improve safety and reliability, not to generate additional savings
- San Juan fuel conversion will generate savings by switching to natural gas-based fuel
- Mayagüez will generate savings by switching to natural gas based fuel
- Additional projects under development will improve reliability; financial savings are yet to be determined

Status

- Project Phase:** Execution/Design
- Financial:** At Risk
- Schedule:** On Track to updated due dates
- Resources:** On Track
- Other Issue/Risk:** Permit pending on San Juan 5&6

Current Status

- Costa Sur Conversion:** Valve project is pending a planned outage for installation without interruption of operations
- San Juan 5&6 Conversion and Repairs:** Conversion awaiting final environmental approvals and permits and repairs will be started once conversion is complete
- Plant Performance Improvement:** Project was transferred to the Generation directorate to be managed internally
- Additional projects are being developed based on the ongoing Sargent & Lundy study, including Mayagüez LNG conversion

Key Initiatives / Potential FY2020 Savings

Initiative	Description	Due Date	Savings Target (\$M)
Costa Sur Fuel Conversion	Convert Costa Sur plant to natural gas (and replace valve)	6/1/2019 (Complete)	\$21M ¹
San Juan Fuel Conversion	Convert San Juan 5&6 to natural gas	2/2/2020 (initially 8/1/2019)	\$192M ²
San Juan 5&6 Repair	Develop and implement a plan to correct steam path deficiencies and upgrade turbines	7/1/2020 (initially 1/1/2020)	\$10M ²
Plant Performance Improvement	Contract, develop, and implement performance improvement projects and maintenance on selected plants	5/1/2020	\$60M ²

Projected Savings for FY2020: TBD

¹ Embedded in FY20 baseline – initiative completed² FY2020 Savings Target – May 2019 Post Certification Report

Projects related to upgrading the fleet of PREPA meters

Description

- Near-term project to replace damaged and missing meters
- Long-term project to install smart meters for PREPA service area

Impact on the Fiscal Plan

- Near-term meter replacement should reduce losses and improve revenues from accounts currently under-reporting with damaged or missing meters
- Long-term project to install smart meters reduce underreporting of older meters, improve customer billing and grid management practices

Status

- **Project Phase:** Execution/Procurement
- **Financial:** At Risk
- **Schedule:** On Track
- **Resources:** On Track
- **Other Issue/Risk:** None

Current Status

- **Meter replacement project:** In pilot stage with increased roll-out expected during FY2020
- **Smart meter project:** In procurement stage: considering various alternatives to finance acquisition and installation of the smart meters
 - Due to time required to install a material number of new meters and the accompanying infrastructure, no savings are currently expected for FY2020

Key Initiatives / Potential FY2020 Savings

Initiative	Description	Due Date	Savings Target (\$M)
Smart Meter Installation	Upgrade current meters to smart meters to forgo need for on-site inspection	Q4 FY2020	\$265M ¹
Damaged Meter Replacement	Replace damaged meters to improve billing precision	TBD (to be detailed in Aug 19)	TBD
Projected Savings for FY2020: TBD			

¹ FY2020 Savings Target – May 2019 Post Certification Report

(7) Improving Contract Management Process

Exhibit B Page 94 of 125

✓ Cost ✓ Safety ✓ Reliability/Resiliency

Develop and implement a new processing program to improve and facilitate overall contract management

Description

- Develop and implement a new processing program to improve and facilitate overall contract management

Impact on the Fiscal Plan

- Project will not generate savings directly
- Improvements in both procurement and contract management expected to result in greater efficiency and improved contract compliance

Status

- Project Phase:** Execution
- Financial:** Pending financial savings target
- Schedule:** On Track
- Resources:** On Track
- Other Issue/Risk:** None

Current Status

- Contract Management Improvement:** Division of responsibility and contract close out process are complete. An updated process and procedures handbook is being created

Key Initiatives / Potential FY2020 Savings

Initiative	Description	Due Date	Savings Target (\$M)
Contract Management Improvement	Develop and implement a new contract management processing program	12/31/2019	TBD (to be estimated by August 2019)
Projected Savings for FY2020: TBD			

Provide periodic reporting on status of PREPA's ongoing P3 Projects

Description

- PREPA currently has several P3 projects in process and is expected to develop additional P3 Projects during FY2020

Impact on the Fiscal Plan

- Various among the individual P3 projects but current projects are focused mainly on operational, reliability and resiliency improvements

Status

- Project Phase:** In Design

Current Status

- New Generation:** Refer to Chapter VIII.iii. "Expenses – Resiliency & Resource Planning" of the Fiscal Plan for additional information on the IRP. Refer to the following pages for additional information on relevant individual projects.

Key Initiatives / Potential FY2020 Savings

Initiative	Description	Due Date	Savings Target (\$M)
New Generation	Develop plan to add new cost-effective long-term generation to the grid through individual projects ¹	TBD	TBD

Projected Savings for FY2020: TBD

Reporting plan

- Each P3 project will be treated as a separate initiative and monthly status reports on implementation will be provided

¹ New Generation in Culebra and Vieques, utility scale energy storage, hydroelectric program upgrade, and replace PREPA's peaking unit, among others

(9) Personnel-Related Projects

Projects related to improving the management and efficiency of the PREPA's workforce

Description

- The Personnel Capacity project is focused on discovering impediments to the efficient use of PREPA's workforce and will be used as the foundation for implementation projects during FY2020
- The Overtime Tracking project is providing monthly reports on current PREPA overtime use and will be used to develop proposals for enhanced controls on overtime usage

Impact on the Fiscal Plan

- Personnel Capacity project is developing the foundation for future projects expected to generate savings
- Overtime tracking is expected to generate modest savings
- Implement employment improvements expected to increase hiring and retention efforts

Status

- **Project Phase:** In Progress
- **Financial:** On Track
- **Schedule:** At Risk
- **Resources:** On Track
- **Other Issue/Risk:** On Track

Current Status

- **Personnel Capacity Assessment & Implementation:** Finished review of T&D and is finalizing a review of Customer Service. Generation is pending
- **Overtime reduction:** Tracking is producing a monthly report for senior management
- **Retirement Backlog Processing:** A ~500 person backlog remains unresolved partly due to staffing challenges
- New implementation projects, including the development of an overtime management program for individual directors, are being formulated by an outside consultant.

Key Initiatives / Potential FY2020 Savings

Initiative	Description	Due Date	Savings Target (\$M)
Retirement Backlog Processing	Eliminate retirement processing backlog	TBD	\$10M ¹
Overtime Reduction	Reduce OT spending by establishing reporting and approval processes	End of Q1 FY2020	0
Personnel Capacity Assessment & Implementation	Determine and implement optimal staffing levels by directorate	10/14/19 – Assessment TBD- Implement.	TBD
Employee benefit optimization	Execute health plans with monthly employee contributions and increased co-payments structure	1/1/2019 (Complete)	\$29M ¹

Projected Savings for FY2020: TBD

¹ FY2020 Savings Target – May 2019 Post Certification Report

Develop projects to improve the efficiency of, and the costs associated with, PREPA's vehicle fleet

Description

- Projects will focus on the maintenance of PREPA's vehicle fleet and changes to the process of acquiring and selling vehicles

Impact on the Fiscal Plan

- Focus will be on longer savings to costs of acquiring and maintaining vehicle fleet
- Maintenance of vehicles will yield better and more reliable service responses
- Acquisition of new vehicles will improve service reliability and effectiveness

Status

- Project Phase:** Planning / Concept Development

Current Status

- Projects are in the early stages of planning by the PREPA PMO office

Key Initiatives / Potential FY2020 Savings

Initiative	Description	Due Date	Savings Target (\$M)
Vehicle Acquisition	Acquire new vehicles to improve reliability of fleet	TBD	TBD
Vehicle Maintenance	Maintain current vehicles to improve reliability of fleet	TBD	TBD
Projected Savings for FY2020: TBD			

Negotiate extensions of expiring or obtain new contracts for fuel supply

Description

- Negotiate extensions of expiring fuel supply contracts or obtain new fuel supply agreements as a replacement

Impact on the Fiscal Plan

- At the time of this Fiscal Plan, there are no clear indications on the possible economic terms of extended or new contracts

Status

- **Project Phase:** In negotiations

Current Status

- Sargent & Lundy study is examining the existing fuel supply contracts and alternatives for new supply contracts
- Individual projects for specific contracts to be identified during FY2020

Key Initiatives / Potential FY2020 Savings

Initiative	Description	Due Date	Savings Target (\$M)
Negotiate fuel supply contracts	Run competitive processes to obtain best available market prices for the various kinds of fuel required by the plants, and negotiate contracts effectively	TBD	TBD
Projected Savings for FY2020: TBD			

(12) Working Capital Management Exhibit B Page 99 of 125

✓ Cost ✓ Safety ✓ Reliability/Resiliency

Develop strategies to improve PREPA's working capital flow

Description

- Negotiate with municipalities for a return of CILT contributions and develop a strategy to improve system-wide collection improvements

Impact on the Fiscal Plan

- This initiative will provide increased liquidity in the long and short term, and provide improved financial stability

Status

- **Project Phase:** Concept Development
- **Other Issue/Risk:** Ability to recover from municipalities

Current Status

- **CILT:** PREPA and mayors of municipalities are already in conversations to agree on payment plans
- **Collections:** Initiative is currently under deliberative planning and scope development

Key Initiatives / Potential FY2020 Savings

Initiative	Description	Due Date	Savings Target (\$M)
CILT	Negotiate with municipalities for a return of CILT contributions	TBD	TBD
Collections	Develop and implement strategy to improve collections and process accounts receivable	TBD	TBD
Projected Savings for FY2020: TBD			

(13) New Initiatives

Develop the following new initiatives

Initiative

Description

Reducing employee injury rates

Develop a framework for lowering injury rates from current rates to less than 0.5 per 100 full-time equivalent workers (FTEs)

Include reporting on injury rates and equivalent worker's compensation in monthly reporting requirements to the FOMB

Reduce technical losses

Develop a technical loss reduction program which should include an appropriate baseline and implementation plan (if appropriate, this initiative can be part of the broader capital expenditure plan)

Following identification of each specific initiative, initiatives may be placed under Grid Management or Generation initiatives

Develop a maintenance delivery program

Enhance PREPA's maintenance program over the next three years, focusing on FY2020 projects, and submit to the FOMB monthly reports on implementation of such program

- Each of the new initiatives may be rolled into the one of the existing initiatives to better manage and deliver them

A comprehensive fuel procurement strategy should be developed by the end of Q1 FY2020 to deliver further savings for PREPA starting in FY2020

- PREPA consumes approximately 8 MMBOE of Fuel Oil #6, 3 MMBOE of Fuel Oil #2, and 7 MMBOE of LNG annually¹, which are **procured under defined contracts**
- **Under Title III status** a systematic review of contracts to reduce costs, increase service level, and overall assess savings opportunities will be conducted
- Procurement of all fuel types should be guided by a **comprehensive fuel procurement strategy**, which should include:
 - **Measures to further develop procurement capabilities and performance incentive structures** to improve the process and outcomes of fuel procurement, including incentives tied to specific cost reduction targets for each fuel type
 - **Development of procurement processes** with specific savings targets measured against clear baselines and actionable steps set against reasonable deadlines. The entire process should show measurable impact within the contracting cycle and that it is implemented no later than the end of FY2019
 - **Assessment of payment terms** to determine whether long payment terms with working capital loans or fuel purchased in spot and term contracts with prompt payment is more cost-effective
 - **Assessment of delivery terms** to determine whether arranging own shipping (FOB) or relying on the shipper for transportation and insurance with payment on delivery (CIF) is more cost-effective
 - **Administrative and structural reforms of Fuel Procurement Office** to promote market competition, increase transparency, implement quality control, and ensure that the irregularities identified in official government reports and audits are not repeated
 - Clear **governance structure providing oversight independent of PREPA management** to ensure a fair and unbiased RFP process without introducing significant delay
 - **Proactive analysis and solicitation of new potential suppliers** to ensure truly competitive processes with multiple potential suppliers for each fuel type with predetermined bidding templates
 - **Commodity risk management processes and strategies** to reduce exposure to volatile and expensive fuels, such as deploying credit enhancement tools (e.g. through Federal and/or Commonwealth credit backing) to lower credit risk and enable fuel hedging programs, developing an organization that assesses all commodity risks for PREPA centrally, and changing the generation mix toward more renewables
 - Regular **performance review processes** to assess contractor's performance against contract service terms

Nearly all PREPA-owned generation is fossil fuel powered, requiring significant fuel resources to be imported to the island and driving the largest cost component in customer rates.

Overview

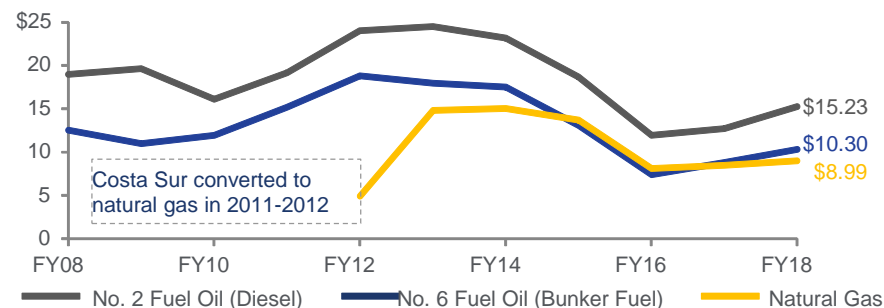
- PREPA procures the fuel necessary to operate its plants through 2-year contracts with various suppliers
- Contracts are awarded through competitive RFP processes
 - Contracts are typically 2 years in length with another 1-2 years of extensions
 - Structured to avoid fluctuations in pricing
- PREPA faces higher fuel prices because of additional costs related to logistical / transportation challenges and environmental compliance
- No. 6 fuel oil is delivered to the island at the CORCO pier in the south, then transported by barge to Aguirre, San Juan, and Palo Seco
 - Pipelines transport No. 6 fuel oil from CORCO to Costa Sur (south) and from San Juan to Palo Seco (north)
- No. 2 fuel oil is delivered at San Juan through Puma Energy Caribe's facility then transported via barge to Cambalache, Mayaguez, and Aguirre
 - No. 2 fuel oil is delivered to other, smaller combustion turbines and Costa Sur (if necessary) via tanker truck
- LNG is delivered to the island via EcoElectrica's terminal in the south, which is currently the only LNG facility
 - LNG from EcoElectrica is delivered via pipeline to Costa Sur

Key Fossil Fuel Suppliers

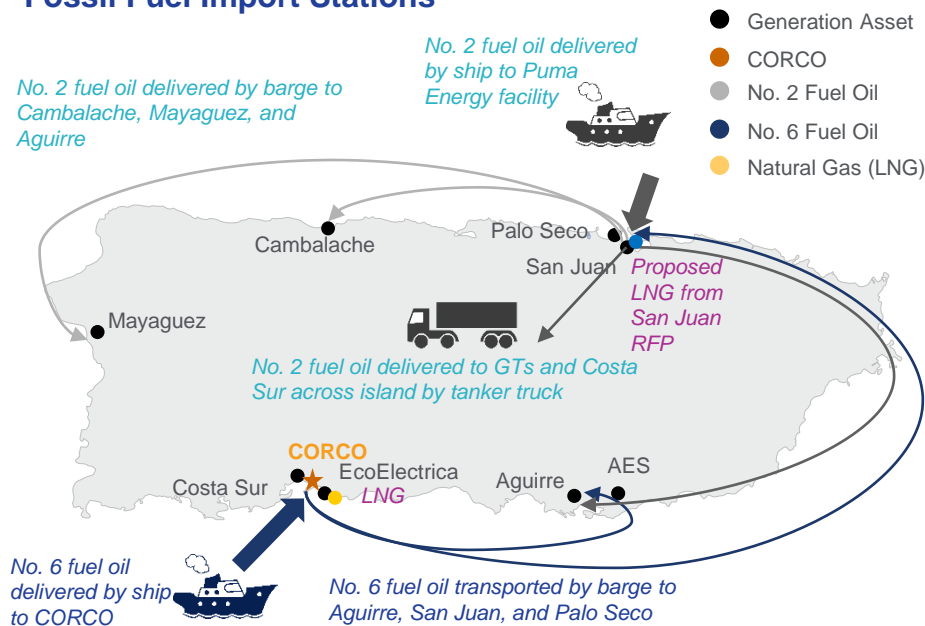
Natural Gas	<ul style="list-style-type: none"> Gas Natural Aprovevisionamientos (EcoElectrica)
Fuel Oil and Diesel	<ul style="list-style-type: none"> Puma Energy Caribe Freeport Commodities
Propane and Automotive Fuel	<ul style="list-style-type: none"> Liquilux Gas Corp. Total Petroleum Puerto Rico Corp.

Historical Realized Fuel Prices

(\$ / MMBtu)



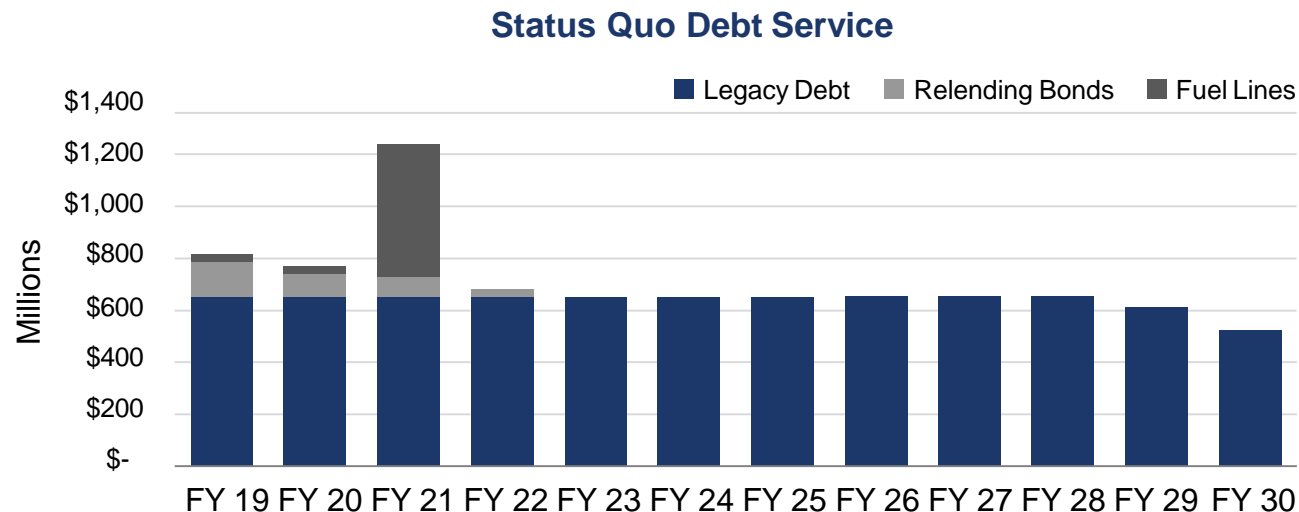
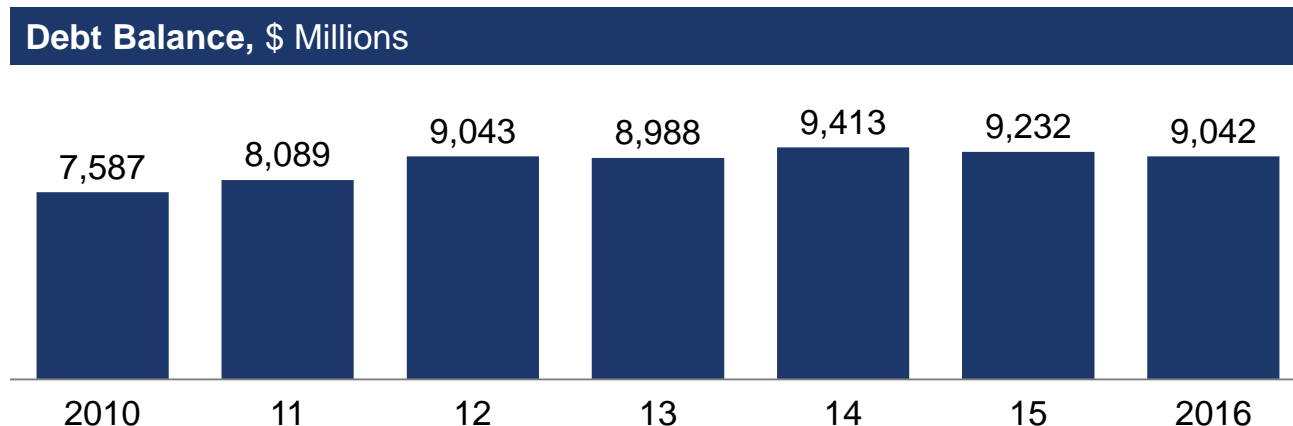
Fossil Fuel Import Stations

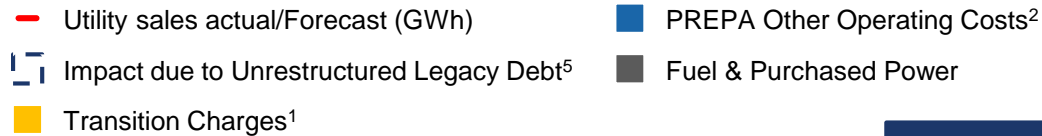


IX. Debt Service

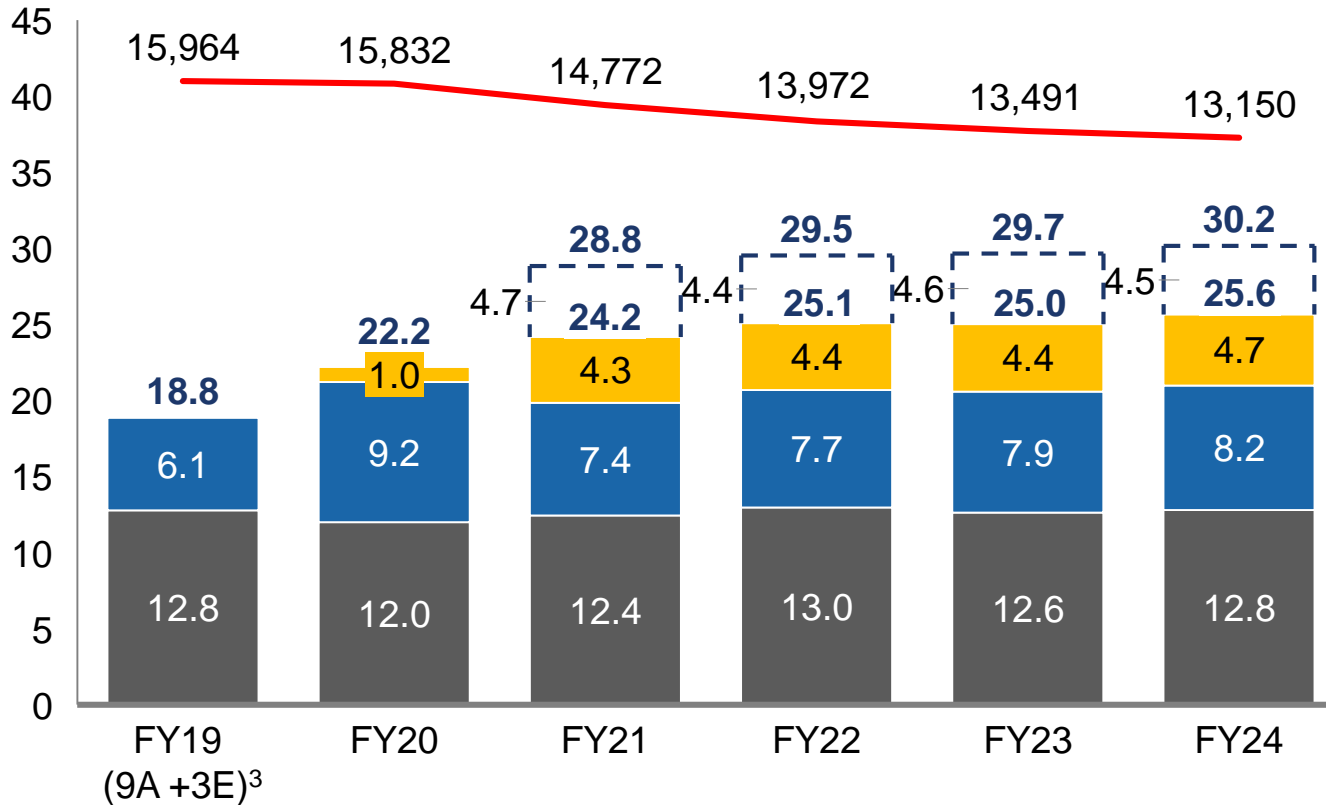
PREPA's Current Debt Structure is Not Sustainable

- As demand has fallen, financial performance has declined and PREPA has borrowed to fund operating expenses. By 2014, PREPA was overburdened with debt and had no access to additional liquidity
- PREPA had \$9.25B outstanding debt as of 5/3/2017, with debt service obligations of \$4.5bn over the next five years
- The estimated annual debt service obligation based on term out of all long-term financial liabilities at a 5% interest rate over 25 years was approximately \$657 million per year





Rates including Unrestructured Legacy Debt (c/kWh)



Key takeaways

- Rates in the fiscal planning period would have been higher than ~30 c/kWh in FY2024 under Unrestructured Legacy Debt
- Revised RSA allows for the rates to remain at ~25c/kWh through the period
- Further opportunity for cost reduction through grid modernization and improved efficiency delivered through T&D operator remain

¹ For simplicity, the PREPA Definitive RSA Transition Charge plus an estimated additional charge for PREPA ERS Pension liability are shown together. These charges are independent from each other and are to be assessed on customer bills separately. 1 c/kWh Settlement Charge in FY2020 as per the PREPA Definitive RSA; RSA Transition Charge rate shown represents system average rates across the entire customer base. Since some customers are subsidized and therefore exempt from the charge, actual charges on bills of unsubsidized customer may be higher.

² Assumes PREPA generation assets (GenCo) contract with the entity operating the non-generation assets (GridCo); costs for GenCo included under Conventional PPAs starting FY2021

³ Nine-month actual spend extrapolated to calculate full year estimates. May not include charges that occur only towards the end of the year

⁴ Values not shown due to small magnitude

⁵ Difference between Unrestructured Legacy Debt and Definitive RSA reflected. Sourced from AAFAP

Note: This comparison is meant for Illustration Purposes Only. Existing Power Revenue and Relending Bond Debt Service assumes that unpaid principal and interest from its last cash flow date through Fiscal Year 2020 is restructured for level debt service through the remaining term at an assumed 6% rate. Assumes the April 2018 PREPA Fiscal Plan Load Projections for the implied c/kWh charge

SOURCE: RSA Transition Charge values are incorporated from the Definitive RSA Recovery Plan Term Sheet, May 2019

Overview of the Definitive Restructuring Support Agreement (RSA)

- To address debt unsustainability, the Definitive RSA was executed on May 3, 2019
- New Securitization Bonds will be secured by a capped securitization charge to customers on a cent per kilowatt hour (c/kWh) basis, known as the “Transition Charge,” that will flow to the securitization vehicle
- This agreement ensures that **cost is not passed on to remaining consumers**, should load fall below projections
- The Definitive RSA achieves a reduction of overall debt by \$3B, from \$10.2B¹ to \$7.2B²

	PV of Cash Flow @ 5.25% Rate (\$M)
Power Revenue and Relending Bonds ¹	10,194
2019 RSA ²	7,218
Difference	2,977

- **Debt is sustainable** as the new securitization bonds are payable only from actual cash received by the securitization vehicle, with extension at maturity (A bonds only) if not paid in full by stated maturity; B bonds to mature at 47 years whether or not paid in full

¹ This comparison is meant for Illustration Purposes Only. Existing Power Revenue and Relending Bond Debt Service assumes that unpaid principal and interest from its last cash flow date through Fiscal Year 2020 is restructured for level debt service through the remaining term at an assumed 6% rate.

² Assumes the April 2018 PREPA Fiscal Plan Load Projections for the 2019 RSA expected cash flow for the present value calculation

Under a Restructuring Support Agreement, PREPA's legacy debt obligations will be reduced, securitized and paid down through a Transition Charge to be collected from T&D system customers

- PREPA, the Puerto Rico Fiscal Agency and Financial Advisory Authority, the Financial Oversight and Management Board, the Ad Hoc Group of PREPA Bondholders, Assured Guaranty Corp. (and subsequently Syncora Guarantee) executed a Definitive Restructuring Support Agreement (the "RSA") on May 3, 2019. The RSA provides for payment, at an agreed discount of legacy bond debt incurred in financing of Puerto Rico's electric infrastructure. It paves the way for PREPA's emergence from Title III and for Transformation Transactions involving Puerto Rico's electric system
- Holders of existing PREPA bonds will exchange those bonds for two types of new Securitization Bonds
- Debt service on the Securitization Bonds will be backed by a fixed Transition Charge to be paid by all Customers served by or connected to the T&D system
- The Transition Charge will be subject to a predetermined maximum, will not vary with fluctuations in electricity sales, and will be "non-bypassable." It will start at 2.768 c/kWh and will increase gradually over a period of 24 years to 4.552 c/kWh. It will remain in place until the later of either 1) full satisfaction of "A" Bonds, or 2) 47 years after issuance



Implementation of the RSA will require enactment of new legislation or the amendment of existing legislation (Act 4-2016) which will (among other things) govern the Securitization Bonds and provide for the imposition of the Transition Charge and mechanisms intended to protect the revenues to be generated by collection of the Transition Charge

The Definitive RSA represents a significant step to reaching a Plan of Adjustment for bondholders and for PREPA to execute the transformation of its power grid

- The New Securitization Bonds are secured by a capped securitization charge to customers on a cent per kilowatt hour (c/kWh) basis, known as the “Transition Charge,” that will flow to the securitization vehicle
 - The Transition Charge will be fixed through the final maturity of the new bonds
 - The Transition Charge will be a fixed cost (in c/kWh) for each consumer’s electricity usage on their bills, leaving creditors to bear a material portion of electric demand/load reduction risk
 - A Settlement Charge of 1 c/kWh will be implemented on July 1, 2019 and shall remain in place through the Effective Date of the plan of adjustment
- The New Securitization Bonds will consist of two tranches of debt:
 - Tranche A Bonds:
 - Current interest bearing securities
 - 40 year stated final maturity; maturity to extend if not paid in full, until payment in full.
 - Flexible amortization “turbo” structure – early amortization if load exceeds projection
 - Priority in principal repayment
 - Tranche B Bonds:
 - Accreting interest bearing securities (similar to a capital appreciation bond)
 - 47 year final maturity
 - Receive no cash flow until Tranche A bonds are paid in full
 - Expire without further payment once they reach their final maturity regardless of amount of payment
- Demand protection
 - Transition Charges are non-bypassable, based on energy usage, and obligatory by all customers subject to certain defined exceptions
 - Demand protection term sheet in the RSA provides details specific terms on how Transition Charges are calculated for customers with behind the meter generation (BTMG customers)
 - Implementation of the Transition Charge for BTMG customers varies depending on whether customers have generation approved, in place, and operation before or after September 30, 2020

Comparison of Definitive RSA to Unrestructured Legacy Debt

The Definitive RSA Transition Charge is on average 4.5 c/kWh lower than the Unrestructured Legacy Debt over the first 10 years between FY21 and FY30

10 year comparison:

		Unrestructured Legacy Debt Charge (c/kWh)	Definitive RSA Transition Charge (c/kWh)
2021	1	7.439	2.768
2022	2	7.217	2.768
2023	3	7.404	2.768
2024	4	7.479	2.957
2025	5	7.55	2.957
2026	6	7.616	2.957
2027	7	7.676	2.957
2028	8	7.731	2.957
2029	9	7.449	3.242
2030	10	6.766	3.323

- Definitive RSA structures transition charges to start low at 2.768 c/kWh and increase to 4.55 c/kWh by year 23
- Savings realized from **grid modernization** and **outsourced T&D operations** can offset higher transition charges in subsequent years

*The calculation of the Transition Charge set forth in the Recovery Plan Term Sheet assumes 100% of the Bonds are exchanged; interest accrues on Bonds until May 1, 2019 at prior stated interest rates; interest stops on power revenue bonds on May 1, 2019; Administrative Claim for Tranche A interest accrues beginning May 1, 2019; Administrative claim not paid through Settlement Charge is satisfied in Tranche A Bonds; Settlement Charge is paid as provided in the RSA

NOTE – This comparison is meant for Illustration Purposes Only. Unrestructured Legacy Debt Charge stems from Existing Power Revenue and Relending Bond Debt Service assumes that unpaid principal and interest from its last cash flow date through Fiscal Year 2020 is restructured for level debt service through the remaining term at an assumed 6% rate. Assumes the April 2018 PREPA Fiscal Plan Load Projections for the implied c/kWh charge

The Special Purpose Vehicle (SPV) shall issue Securitization Bonds on the Effective Date, in the tranches summarized below, secured by the Transition Charge

	Tranche A Bonds	Tranche B Bonds
Exchange Ratio	67.5%	10.0%
Maturity	40 year stated maturity / 33 year expected maturity ¹	47 year stated maturity
Coupon / Accretion Yield	5.25% (tax-exempt)	7.00% (tax-exempt) / 8.75% (taxable) ²
Denominations	Integral multiples of \$1.00 or such higher amount required by DTC	Integral multiples of \$1.00 or such higher amount required by DTC
Payment Priority	Paid first out of pledged revenues	Paid only after Tranche A Bonds paid in full
Debt Service Reserve Fund	5% of Tranche A Principal and funded through excess cash flow after payment of Tranche A Interest	No Debt Service Reserve Fund
Call Protection	10 year par call	Callable in 10 years at 110% of Accreted Value, declining by 0.5% per year to par
Other Aspects	<p>Any interest not paid when due shall be added to the interest to be paid on the next payment date for such Tranche A bonds</p> <p>The Obligation, including the Transition Charge, to pay the Tranche A Bonds will extend beyond the stated final maturity if not paid in full on stated final maturity until all principal of, and accrued and unpaid interest on, the Tranche A Bonds are paid in full</p>	<p>Interest on Tranche B bonds will accrete similar to a Capital Appreciation Bond</p> <p>No Cash flow on Tranche B Bonds until Tranche A Bonds are paid in full</p> <p>Tranche B Bonds shall receive 100% of cash flow from the Transition Charge after the Tranche A Bonds are fully repaid</p> <p>Any amounts on Tranche B Bonds not paid with Transition Charge Revenues prior to their stated maturity will not be recoverable by Bondholders</p>

- In the Preliminary RSA from July 2018, the Tranche A bonds expected maturity was 35 years and the Tranche B Bonds stated maturity was 45 years

¹ Based on Oversight Board's May 2018 projections; ² The Government Parties shall work in good faith to try to obtain tax-exempt status for Tranche B Bonds or a portion thereof but Tranche B Bonds are not required to be tax-exempt.

Debt Overview (\$ Millions)	Principal Outstanding	Accrued Interest	Principal + Interest	Weighted Average Interest Rate	Maturities
Bonds:					
Uninsured Build America Bonds	676	62	738	6.10%	7/1/30 - 7/1/40
Uninsured Power Revenue Bonds	4,958	392	5,350	5.27%	7/1/17 - 7/1/43
Total Uninsured Legacy Bonds	\$5,634	\$454	\$6,088	5.37%	
Insured Power Revenue Bonds	\$2,250	\$155	\$2,405	4.73%	7/1/17 - 7/1/37
Total Legacy Bonds	\$7,884	\$609	\$8,493	5.19%	
Series 2016 (Relending Bonds)	\$375	\$47	\$422	8.29%	1/1/18 - 7/1/22
Total Bonds Outstanding	\$8,259	\$656	\$8,915	5.33%	
Fuel Line Loans:					
Scotia Fuel Line	\$200	\$6	\$206	7.25%	
DK/Solus Marathon Fuel Line	495	15	510	7.25%	
Fuel Line Loans	\$695	\$21	\$716	7.25%	
Total Bond and Fuel Line Obligations	\$8,954	\$677	\$9,631	5.48%	
Swap Claims:					
UBS Swap Claim	\$36	n.a.	\$36	4.08%	7/2/2029
J.P. Morgan Swap Claim	17	n.a.	17	4.08%	7/2/2029
Total Swap Claims	\$53		\$53	4.08%	
GDB Loans:					
GDB Loan	\$35	n.a.	\$35	6.00%	12/31/2014
Isabela Dam Loan	1	n.a.	1	7.00%	6/30/2018
Total GDB Loans	\$36		\$36	6.03%	
Total Financial Obligations	\$9,043	\$677	\$9,720		

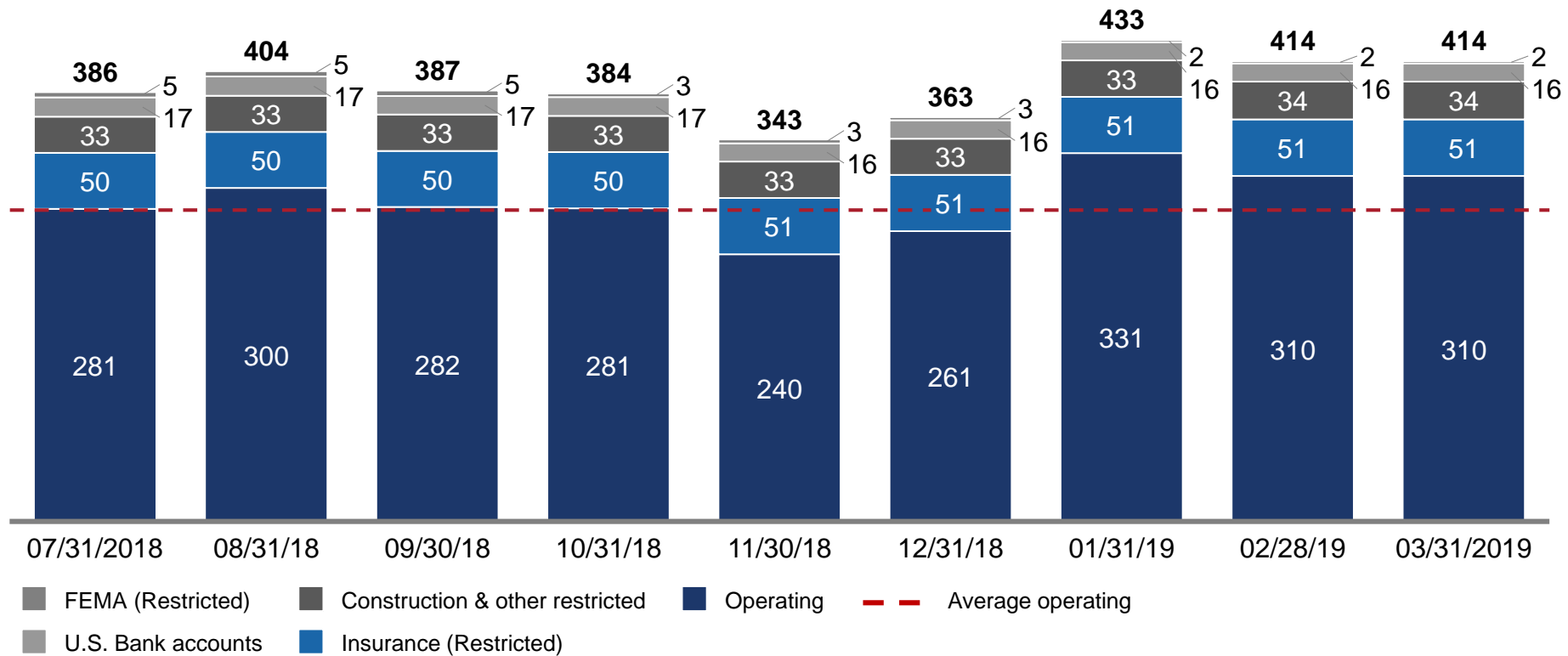
Note: FOMB has not validated this data and understands that the data presented in the table above is the most current version as of Fiscal Plan certification.

X. Liquidity Management and Federal Funding

PREPA's cash flow remained stable during FY2019 as cash receipts have generally met operating cash expenditures

- PREPA's Operating Account bank balance at 3/31/19 was approximately \$310M; Operating Account balance averaged \$283M over the period 7/1/18 – 3/31/19
- As of March 8, 2019, PREPA had fully repaid the \$300M post-petition loan from the Commonwealth of Puerto Rico

FY2019 Monthly Bank Balances (\$M)



Notes:

- Operating Accounts include General Fund, Working Fund and Revenue Fund accounts
- Operating Accounts exclude PREPA deposits held at GDB and funds held in FEMA emergency accounts
- US Bank Accounts are related to debt service (e.g. Sinking Funds) and Self Insurance Funds

PREPA has implemented several specific initiatives that should produce meaningful improvements to its liquidity situation and positioned PREPA to continue to drive further progress.

Organizational Initiatives

- Hiring restructuring advisors supporting the CEO and executive management during the transformation process
- Creation of the Office for Contract and Procurement Compliance (OCPC)

Accountability

- Applying more rigor into the evaluation of potential projects and cash expenditures
- More robust weekly reporting requirements
- Enhancing the planning models and tools used to evaluate PREPA activities

Cash Management Controls

- Monitoring of liquidity, cash receipts and disbursements; weekly forecast to actual variance analysis
- Cash distribution controls
- Maximize federal funding available for disaster recovery by creating a Disaster Funds Management Office (DFMO) to focus exclusively on expenses eligible for reimbursement pursuant FEMA Public Assistance Program Policy Guide

Collections

- Reestablishment of communications linkages from customer meters to PREPA billing systems
- Ongoing discussions with public corporations to validate / determine potential collections of past due amounts
- Maintaining active communication with Puerto Rico Aqueducts and Sewers Authority (PRASA) on the collection of current and undisputed past amounts

Fuel & Purchased Power

- Managing generation fleet resources with a view to optimizing economics when the transmission grid allows
- Operating the power grid with a lower level of spinning reserves, improving dispatch
- Negotiations with multiple vendors for potential future savings

Other Initiatives

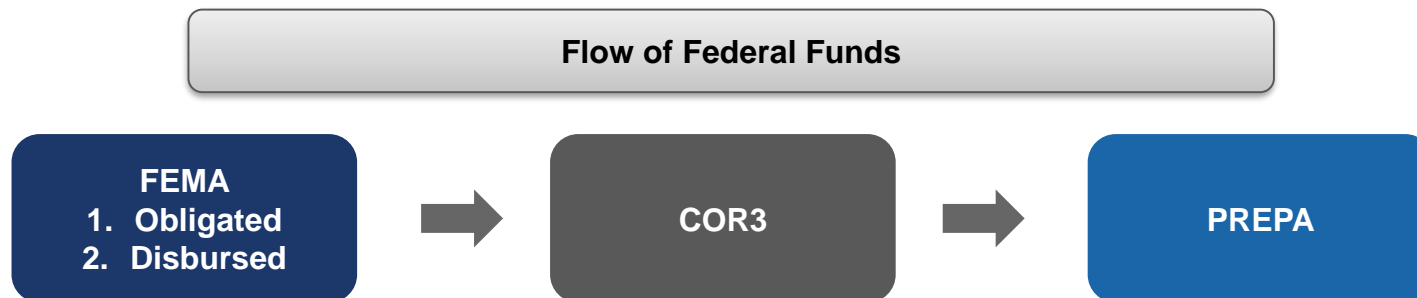
- Managing the FEMA reimbursement process; managing payment to largest restoration vendors until PREPA collects the reimbursement funds from FEMA
- Establishing the actual validated claims for storm-related insurance matters, and eventual collection of these funds
- On-going effort to evaluate options and execution tactics related to material changes in staffing levels and capabilities

The Central Office of Recovery, Reconstruction and Resiliency (COR3) is a division within the Public-Private Partnerships committed to ensure Puerto Rico's recovery.

- COR3 works hand-in-hand with FEMA, Government Agencies, Municipalities and Non-Profit Organizations to assure maximum recovery and guarantee an efficient, effective and transparent use of available resources
- Mission - To promote and implement reconstruction efforts with efficiency, effectiveness, and transparency, capitalizing on opportunities to build back a better, stronger, and more resilient Puerto Rico

Public Assistance Program

- The Public Assistance Program addresses various types of emergency work (debris removal and emergency protective measures), and permanent work (roads, bridges, buildings and structures, water control facilities, utilities, and parks and recreation areas)
- For the FEMA Government Public Assistant Grant program, COR3 will be the Applicant and the sub-applicants/sub-recipients will be Agencies, Municipalities and certain Private Non-Profits that provide essential government type services

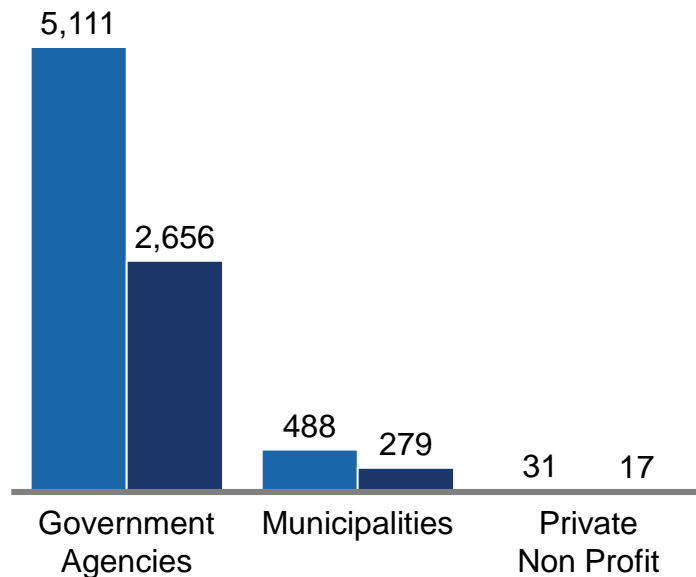


Public Assistance Program

Disaster grant assistance is available for communities to quickly respond to and recover from major disasters or emergencies declared by the President of the United States. Public Assistance reimburses local governments and certain private non-profit organizations for removing disaster-generated debris, the cost of preparing for and responding to the disaster and repairing or replacing eligible infrastructure including roads, bridges, buildings and utilities. The Public Assistance program is funded by FEMA and administered by the Government of Puerto Rico. FEMA obligates funding for these projects directly to Puerto Rico.

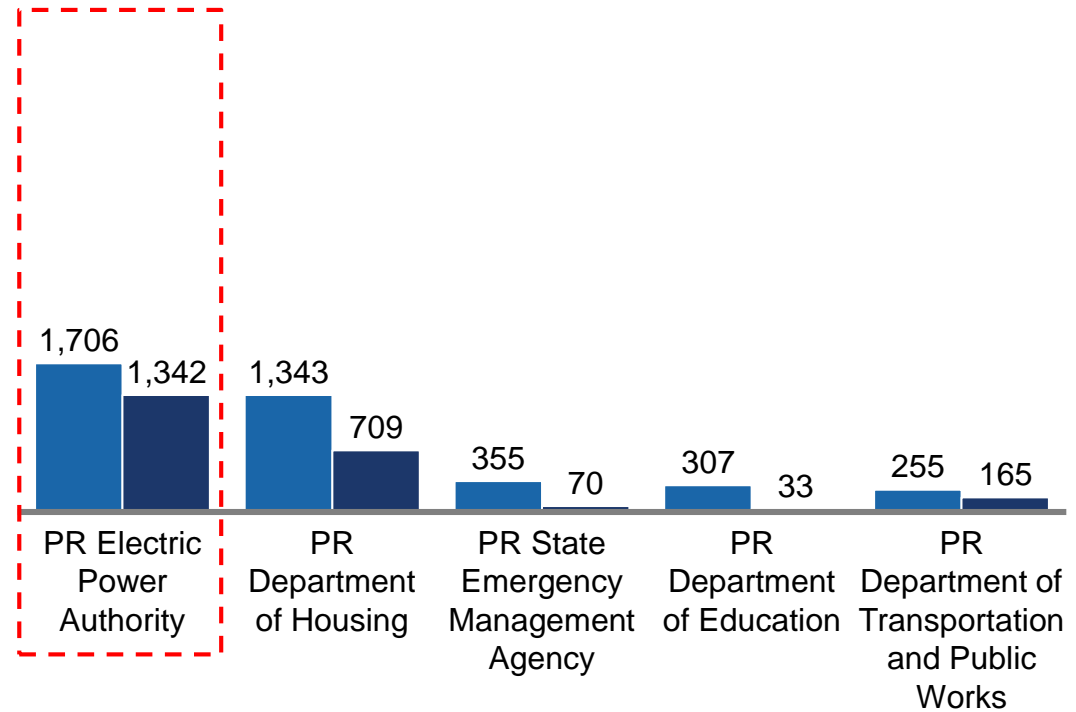
Total FEMA Public Assistance Received

\$M



FEMA Emergency Public Assistance Received By Agency

\$M



Emergency Work - Status and Reimbursement Procedures

Emergency Spend (Category A & B)³

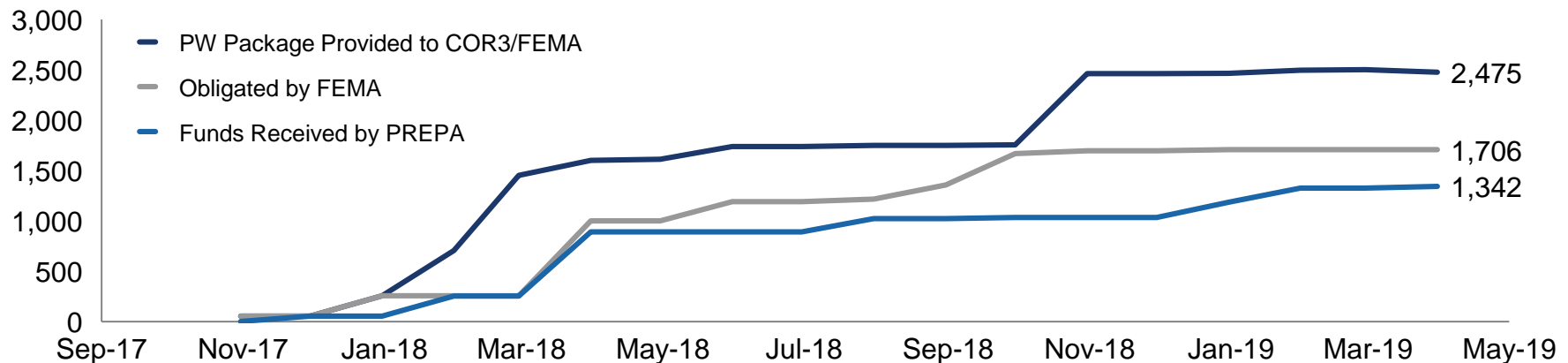
- Work that must be performed to reduce or eliminate an immediate threat to life, protect public health and safety, and to protect improved property that is significantly threatened due to disasters or emergencies declared by the President
- Emergency work completed by PREPA, third party contractors and Mutual Aid Parties

FEMA Reimbursement

- To seek reimbursement for emergency restoration expenditures PREPA must submit detailed supporting documentation in the form of a Project Worksheet (PW) to FEMA and COR3
- Obligated Funds made available by FEMA to COR3 via electronic transfer following FEMA's obligation of a PW
- PREPA is required to submit detailed supporting documentation and make an official Request for Reimbursement (RFR)
- COR3 completes final approval and transfers funds to PREPA

Estimated Emergency Work Reimbursement – By Month^{1,2}

\$M



Highlighted Project Worksheets

- Cobra Acquisitions:** \$1.29B – Electric power T&D line repair work including storm restoration and projects.
- Mutual Aid Parties:** \$329.7M – Emergency assistance in the form of personnel and equipment and other resources to aid in restoring and/or maintaining electric utility service.
- Whitefish Energy:** \$143.6M – Perform transmission and distribution power grid reconstruction from 600V to 230kV.

¹ "PW Package Provided to COR3/FEMA" based on project worksheet documentation provided by PREPA to FEMA. PW has not been prepared and entered into the FEMA system.

² Timing represented in the table above is approximate.

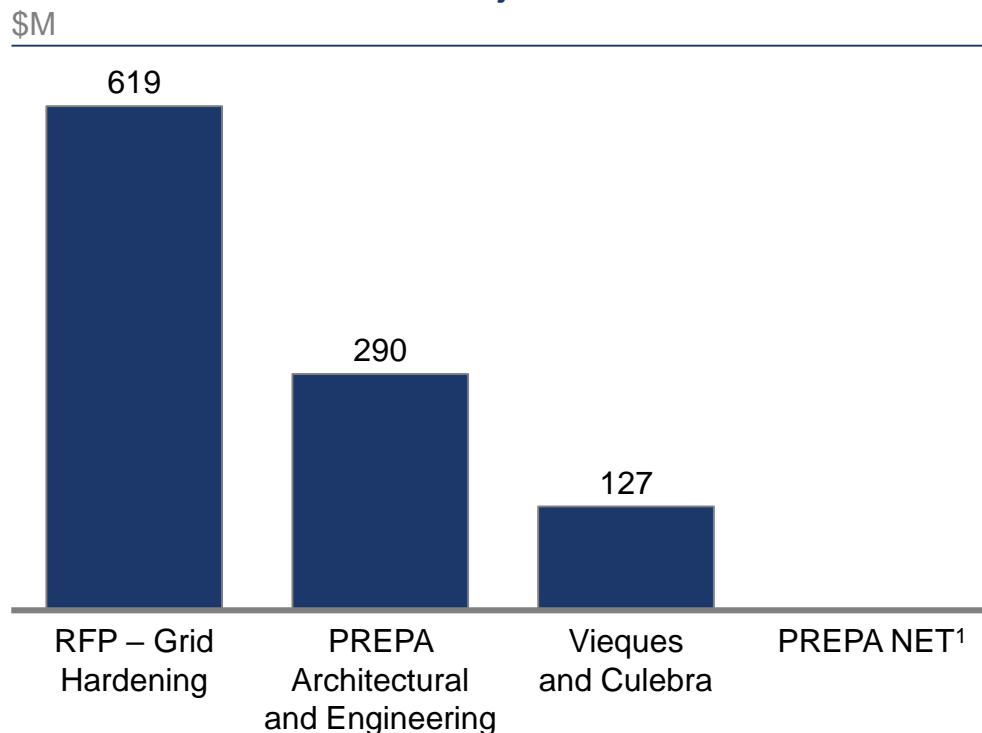
³ Performance period for submission of Category A and B project worksheets ended in March 2019 for Hurricane Irma and will end in September 30, 2019 for Hurricane Maria

SOURCE: Estimated based on PREPA's "Project Worksheet Master Tracker"

Permanent work and FEMA Reimbursement (Category C - G)

- The FEMA 428 program currently requires an estimate to be delivered by October 2019 (the Government has requested an extension of this deadline). Determining the preliminary estimate is an active and ongoing process in close coordination with FEMA, and the current discussion still focuses on cost-estimate procedures
- The Government of Puerto Rico created COR3 as a Division of the P3 Authority to lead the coordination, development, and execution of long-term recovery and reconstruction efforts. The COR3 has been created based on leading practices used in many jurisdictions, including New Jersey, Louisiana and New York, to ensure higher accountability, transparency and coordination of disaster recovery efforts

In Process Permanent Work Project Worksheets



¹ Represents one Project Worksheet (PW); value of PW to be finalized

SOURCE: PREPA's "FEMA Flash Report" as of 3/29/19; and "Revised Fiscal Plan for Puerto Rico"

Permanent Work Categories

Category C: Roads and bridges

Category D: Water control facilities

Category E: Public buildings and contents

Category F: Public utilities

Category G: Parks, recreational, and other facilities

Transformation Timeline

(Per Energy System Modernization Plan)

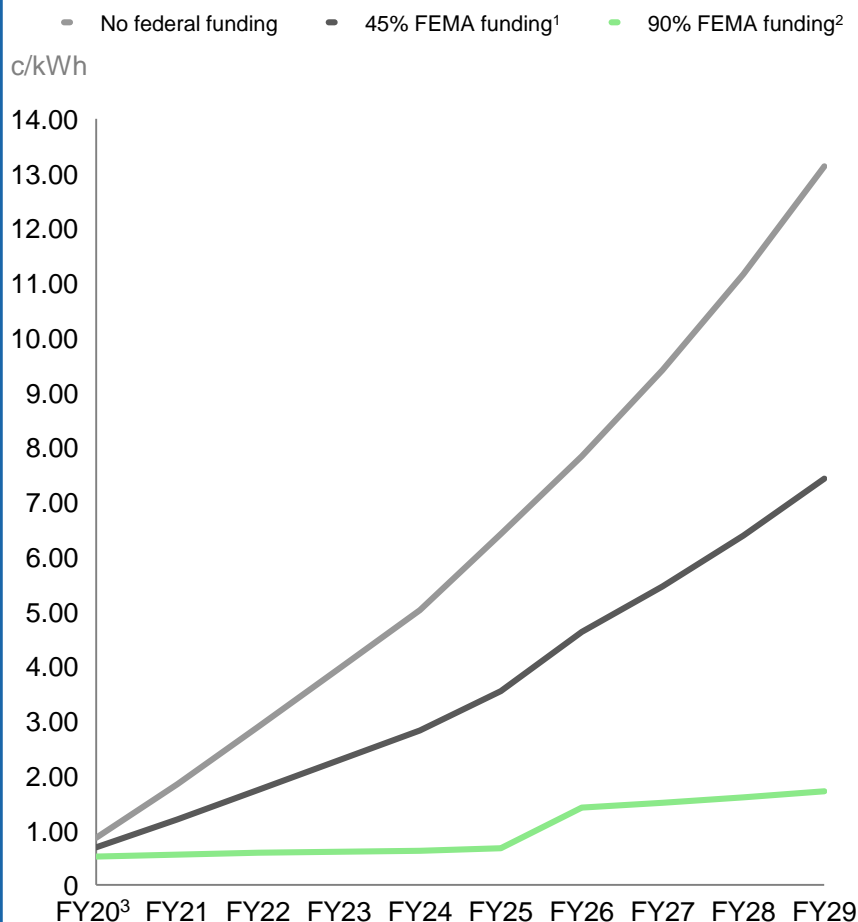
- Short-term priorities (1-3 year)
- Mid-term (3-7 years) and
- Long-term rebuild initiatives (7-10+ years)

CALCULATIONS ARE ILLUSTRATIVE

Assumptions

- **\$16.4B in capex** required over the next 10 years, of which **\$8.2B** is spent in FY2020-2024⁴
- Any amount required and not funded through federal funds would be funded through debt, with cost of debt passed on to ratepayers (6% assumed interest rate, and 40-yr asset life for depreciation)
- Federally funded amount is assumed to be sourced 90% from FEMA, and 5% CDBG, and 5% PREPA's expense
 - The 5% PREPA expense cost share is budgeted as a hedge in case CDBG funds are not disbursed for any reason
- CDBG funding is assumed to not be available starting FY2026, requiring all cost share to be budgeted as a PREPA expense
- Load for years FY2025-2029 are estimated based on FY2020-2024 forecasts⁵

Rate impact of capex-related costs



Takeaways

- Lack of federal funding would effectively result in a “capex surcharge” to ratepayers that would rise gradually with more invested capex—up to ~13 c/kWh by FY2029
- Unavailability of federal funding for rebuilding T&D system represent significant risk for overall service reliability and affordability.
- Federal funding support is also critical for delivering on system improvements necessary for resiliency and environmental compliance, including deployment of microgrids, distributed generation and renewable resources.

¹ 45% federal funding; 5% cost share, of which half (2.5%) is budgeted as a PREPA expense as a hedge.

² 90% federal funding; 10% cost share, of which half (5%) is budgeted as a PREPA expense as a hedge.

³ For the purposes of this analysis and comparability across years, assume a private O&M operator is already in place for the entire fiscal year FY20, even though that is not going to be the case.

⁴ Amount shown here is the same as the EGM projected amount, and meant to represent maximum (subject to revision). Actual funded amount may vary.

⁵ FY2025-2029 assumed to decline in the same rate as in FY2020-2024.

XI. Post-Certification Reporting

PREPA has generally complied with the Certified Fiscal Plan's Post Certification Requirements, and has worked closely with the FOMB on the implementation of all required initiatives.

Reporting cadence:	Reporting to FOMB:
Weekly	Every Wednesday
Monthly	15 th day after the end of the month; if not a business day, then the previous business day
Quarterly	15 th day after the end of the quarter (single consolidated report)*

PREPA intends to update its reporting format and modify its reporting cadence for FY2020 to improve on the information reported and more effectively reflect advancement in implementation, as discussed in the following pages.

These reporting requirements are per the Fiscal Plan and do not limit the FOMB's discretion to require other information under PROMESA.

Note: All reporting to the FOMB should be in writing, on an NDA basis.

**PREPA may request waivers to extend reporting cadence as needed. FOMB will review such requests and grant such waivers as necessary or appropriate.*

Requirements end upon transfer of legacy assets to private operators¹

	Report type	Detail	Reporting Cadence
Resiliency & Resource Planning	Implementation of IRP plan ²	Overview of generation to be added, with detailed information for each generation facility including type of generation, capacity, geography, cost to develop, and rationale for new investment over upgrading the grid, including near-term generation procurement and status of project delivery against milestones and cost/savings projections. Similar project-level detail to also be included for any new grid-related projects being executed in line with IRP.	<ul style="list-style-type: none"> Quarterly
	Implementation of grid modernization ²	Grid modernization plan should provide an overview of the major investment categories and projects PREPA is considering to deliver reliable, resilient power and status of project delivery against milestones	<ul style="list-style-type: none"> Quarterly
	Federal Funding Report	Include quarterly updates on FEMA and CDBG funding programs, including amounts requested and for what projects, and status of disbursements and reimbursements and comparison against projections.	<ul style="list-style-type: none"> Quarterly
Financial & Operational	Implementation Program and Initiative Project Status Reports ²	Separate reports, not included in consolidated monthly report. Overall status summary for the initiative and milestones. Includes accomplishments, issues/risks and mitigations, decisions required, and estimates of capital investment and projected savings and status of initiative delivery against milestones and cost/savings projections.	<ul style="list-style-type: none"> Bi-Monthly; one-half of the initiatives will be reported each month
	Income Statement	Include three types of income statement: 1) Consolidated, 2) Generation, 3) Non-generation	<ul style="list-style-type: none"> Quarterly
	Balance Sheet	Include only consolidated balance sheet	<ul style="list-style-type: none"> Quarterly
	Cash Flow Statement	Consolidated cash flow report including all receipts and disbursements, accounts receivable, accounts payable	<ul style="list-style-type: none"> Weekly Quarterly

Note: All reporting to the FOMB should be in writing, on an NDA basis.

¹ PREPA has amended the reporting timeline to include periods post-Title III, with respect to any legacy assets that may not have been transferred to private operators. Requirements will not apply to T&D operator once in place

² FOMB may provide a template on quarterly capex reporting (relevant to Implementation of IRP plan, Implementation of grid modernization plan, and other initiative status reports).

Requirements end upon transfer of legacy assets to private operators¹

Financial & Operational	Report type	Detail	Reporting Cadence
	Debt Service Statement	Include a statement that shows the timeline of remaining debt to be paid, components of debt, and debt repayment; this statement should be a “double click” into the balance sheet regarding debt components	<ul style="list-style-type: none"> Quarterly
	Budget to Actuals (Reporting requirement is separate from any requirement under Section 203 in PROMESA)	Tracking of certified Budget to Actual based on template to be provided by FOMB: <ul style="list-style-type: none"> Include explanation for material variances (greater than 10% and \$30 million) Include I/S in the reporting package Provide quarterly budget reporting 	<ul style="list-style-type: none"> Quarterly
	Operational Metrics Reporting	Reporting on operational performance metrics, including: <ul style="list-style-type: none"> Average actual incurred rates by customer type broken down into cost driver components, e.g. F&PP, Base Rate, CILT Monthly SAIDI, SAIFI, and CAIDI by customer type Summary of all critical services (e.g. major industrial, commercial customer locations) without power for >48 hours OSHA events 	<ul style="list-style-type: none"> Monthly

Note: All reporting to the FOMB should be in writing, on an NDA basis.
¹ PREPA has amended the reporting timeline to include periods post-Title III, with respect to any legacy assets that may not have been transferred to private operators. Requirements will not apply to T&D operator once in place

Requirements end upon transfer of legacy assets to private operators¹

Report type		Detail	Reporting Cadence
Fuel and Purchased Power	Economic Dispatch	Build an economic dispatch model for the Puerto Rico grid to forecast production cost savings at a high level and provide reporting against milestones and projections.	<ul style="list-style-type: none"> Weekly: Generation (MWh by asset); Fuel burn (BOE) & fuel cost (\$) by generating asset by fuel type
	Increased LNG Utilization	Develop and implement a RFP for the conversion of the San Juan generation plant to natural gas operation and provide reporting against milestones and projections.	<ul style="list-style-type: none"> Weekly: LNG plants downtime Monthly: operational progress on plant conversion
	Purchased Power - Renewable - Price Improvement	Renegotiate renewable power purchase agreements to obtain lower prices reflective of market conditions and negotiate renewable PPAs from shovel ready renewable projects to replace existing providers. and provide reporting against milestones and projections.	<ul style="list-style-type: none"> Monthly: Confidential reporting to FOMB
	Purchased Power - Conventional - Price Improvement	Renegotiate conventional power purchase agreements to obtain lower prices reflective of market conditions and provide reporting against milestones and projections.	<ul style="list-style-type: none"> Monthly: Confidential reporting to FOMB
	Fuel Supply Contracts - Price Improvement	Achieve F&PP savings targets set via the Fuel Procurement Strategy by Q2 FY19 and provide reporting against milestones and projections.	<ul style="list-style-type: none"> Monthly: Confidential reporting to FOMB One-time: Fuel Procurement Strategy
	Commercial Loss Reduction ²	Achieve reduction in technical and non-technical loss and increase system efficiency. Two projects are underway to address losses. First, near term reduction will be addressed by replacing damaged meters, which a pilot project currently under development. Second, the Smart Meter project currently in the RFP process will provide a longer term more effective reduction in losses.	<ul style="list-style-type: none"> Monthly: Energized to billed gap, non-technical loss

Note: All reporting to the FOMB should be in writing, on an NDA basis.
¹ PREPA has amended the reporting timeline to include periods post-Title III, with respect to any legacy assets that may not have been transferred to private operators. Requirements will not apply to T&D operator once in place
² Estimates include technical and non-technical loss reduction. These effects are to be disaggregated in future implementation reporting

Requirements end upon transfer of legacy assets to private operators¹

Report type		Detail	Reporting Cadence
Labor Operational Expenses	Medical Benefit Reform	Prepare and execute a contract for employee healthcare plans effective January 1, 2019 with monthly employee contributions and increased co-payments structure in line with industry norms	<ul style="list-style-type: none"> Complete
	Overtime Expense Reform	Review PREPA Overtime spending and establish appropriate reporting and approval procedures for applicable Directorates, including establishing hiring needs to reduce OT spending and provide reporting against milestones and projections.	<ul style="list-style-type: none"> Monthly: number of overtime hours utilized and average per hour overtime payrate
	Retirement Processing	Develop and implement a new system to handle retirement requests of employees in a more timely and cost effective matter and provide reporting against milestones and projections.	<ul style="list-style-type: none"> Monthly: number of temporary and permanent employees²; retirement backlog by time since request
	Personnel Capacity	Conduct a study of the PREPA labor force to determine optimal staffing levels to fulfill PREPA's mission considering current workload and objectives and provide reporting against milestones and projections.	<ul style="list-style-type: none"> Future reporting to be based on findings of capacity assessment; revised target dates for Union negotiations by Q2 FY19

Note: All reporting to the FOMB should be in writing, on an NDA basis.
¹ PREPA has amended the reporting timeline to include periods post-Title III, with respect to any legacy assets that may not have been transferred to private operators. Requirements will not apply to T&D operator once in place
² By directorate and rank, including written explanation of ending monthly variance